

National Grid Electricity Transmission Plc

Electricity transmission licence

Special Conditions

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Chapter 1: Interpretation and definitions

Special Condition 1.1 Interpretation and definitions

Introduction

- 1.1.1 The purpose of this condition is to provide for the special conditions of this licence:
- (a) some provisions of general interpretation; and
 - (b) the meaning of the defined terms, which are capitalised throughout the special conditions.

Interpretation

- 1.1.2 Wherever the subscript 't' is used, without further numerical notation, the value to be used is the one for the Regulatory Year in question.
- 1.1.3 A positive or negative numerical notation indicates that the value to be used is for a year after or before the Regulatory Year in question and the number indicates how many years after or before.
- 1.1.4 In some cases, other subscripts may also be used to denote the value for a specific Regulatory Year and are noted in those special conditions.
- 1.1.5 Any values derived by reference to the value of revenues accrued, received or paid by or to the licensee shall be the actual sum accrued, received or paid by or to the licensee on the date of such accrual, receipt or payment without any adjustment for inflation or interest after deduction of value added tax (if any) and any other taxes charged directly by reference to the amounts so accrued, received or paid.
- 1.1.6 Any reference in these special conditions to:
- (a) a provision thereof;
 - (b) a provision of the standard conditions of electricity transmission licences;
 - (c) a provision of the standard conditions of electricity supply licences;
 - (d) a provision of the standard conditions of electricity distribution licences;
 - (e) a provision of the standard conditions of electricity generation licences;
 - (f) a provision of the standard conditions of electricity interconnector licences;
 - (g) a provision of the conditions of the Electricity System Operator Licence;
- must, if these or the standard conditions in question come to be modified, be construed, so far as the context permits as a reference to the corresponding provision of these or the standard conditions in question as modified.
- 1.1.7 Any reference in these special conditions to a numbered appendix is, unless otherwise stated, to the relevant numbered appendix to that special condition.

- 1.1.8 Unless otherwise stated, any reference in these special conditions to the Authority giving a direction, consent, derogation, approval or designation includes:
- (a) giving it to such extent, for such period of time, and subject to such conditions, as the Authority thinks reasonable in all the circumstances of the case; and
 - (b) revoking or amending it after consulting the licensee.
- 1.1.9 Unless otherwise stated, any reference in these special conditions to the Authority making a determination includes making it subject to such conditions as the Authority thinks reasonable in all the circumstances of the case.
- 1.1.10 Any direction, consent, derogation, approval, designation or determination by the Authority will be given or made in writing.
- 1.1.11 Where these special conditions provide for the Authority to issue or amend a document by direction, the steps required to achieve this may be satisfied by action taken before, as well as by action taken on or after, 1 April 2026.
- 1.1.12 Any monetary values in these special conditions are in sterling in a 2023/24 price base unless otherwise indicated.
- 1.1.13 The price base for each PCFM Variable Value is denoted in the ET3 Price Control Financial Model "LicenseeSelect" sheet. Where a PCFM Variable Value is listed as a "£m nominal" value, the ET3 Price Control Financial Model will convert these values in accordance with Part F of Special Condition 2.1 (Revenue restriction), so that the component terms of Calculated Revenue are in a 2023/24 price base.

Definitions

- 1.1.14 In these special conditions the following defined terms have the meanings given in the table below.
- 1.1.15 Where these special conditions state that the outputs, delivery dates and allowances for a Price Control Deliverable are located in another document, the following defined terms also have the meanings given in the table below in that document.
- 1.1.16 Where the table below states that a defined term has the meaning given to it by:
- (a) another condition of this licence;
 - (b) the ET3 Price Control Financial Instruments;
 - (c) the RIGs;
 - (d) an Associated Document; or
 - (e) the CUSC,
- the defined term is to have the meaning given in that provision or document as amended from time to time.

4x4	means a four wheel drive vehicle with a gross vehicle weight of no less than 3,200kg.
Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document	means the document of that name issued by the Authority in accordance with Special Condition 3.21 (ASTI Re-opener and Price Control Deliverable).
the Act	means the Electricity Act 1989.
Actual Corporation Tax Liability	means the value as shown in the licensee's company tax return (CT600) as submitted to His Majesty's Revenue and Customs relating to the licensee, after removing the impact of any group or consortium relief.
Actual Totex	is derived in accordance with the RIGs.
Advanced Procurement Mechanism (APM)	means the regulatory funding mechanism established by Special Condition 3.16(Advanced Procurement Mechanism) which is designed to facilitate licensees' early engagement with the supply chain to mitigate current and future Supply Chain Constraints which would otherwise threaten delay to infrastructure projects on the electricity transmission network.
Affiliate	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Allowed Revenue	is the amount the licensee should aim to recover through its Network Charges, derived in accordance with the formula in Part C of Special Condition 2.1 (Revenue restriction).
Allowed Security Costs	means any cost allowed by the Authority (upon receipt of such information, including a certificate from the auditors, as the Authority may request) as being a cost which is directly attributable to any action taken or omitted to be taken by the licensee in its capacity as holder of the license for the purpose of complying with directions issued by the Secretary of State under section 34(4) of the Act.
Annual Iteration Process	has the meaning given to that term in the annex"PCFM Guidance" to the RIGs.
Annual Environmental Report	means a document prepared and published by the licensee in accordance with Part A of Special Condition 9.1 (Annual Environmental Report).

APM Allowance (APM _t)	means the allowance established by Part A of Special Condition 3.16(Advanced Procurement Mechanism (APM) Allowance and APM Re-opener (APM _t)).
APM Cap (APMC _t)	means the cap on the APM Allowance established by the Authority and specified in Appendix 1 of Special Condition 3.16(Advanced Procurement Mechanism (APM) Allowance and APM Re-opener (APM _t)).
APM Cost Category	means an expenditure category that the Authority has deemed eligible for the licensee to use its APM Allowance against as set out in the APM Governance Document.
APM Disallowances (APMD _t)	means APM Expenditure that has been determined as ineligible in accordance with Part I of Special Condition 3.16 (Advanced Procurement Mechanism (APM) Allowance and APM Re-opener (APM _t)).
APM Expenditure (APMS _t)	means the amount that the licensee has spent for the purpose of booking supply chain capacity for the procurement of Equipment or Related Services in relation to an APM Cost Category, and which the licensee has reported or intends to report as APMS _t through the Regulatory Reporting Packs.
APM Governance Document	means the document issued by the Authority in accordance with Part J of Special Condition 3.16 (Advanced Procurement Mechanism (APM) Allowance and APM Re-opener (APM _t)).
APM Recovered Expenditure (APMR _t)	means the allowances initially incurred and reported as APMS _t that have been added to Allowed Revenue through other special conditions of this licence. In any given Regulatory Year, APMR _t for all Regulatory Years to date cannot be larger than APMS _t for all Regulatory Years to date.
APM Register	means a licensee-specific document held and updated by the Authority based on information provided by the licensee in relation to its use of APM Allowances, and which is shared only with the relevant licensee and will otherwise be kept confidential.
APM Re-opener	means any of the Re-openers established by Part B, Part C, Part D and Part E of Special Condition 3.16 (Advanced Procurement Mechanism (APM) Allowance and APM Re-opener (APM _t)).

Appropriate Auditor	<p>means:</p> <p>(a) in the case of a licensee which is a company within the meaning of section 1 of the Companies Act 2006, a person appointed as auditor under Chapter 2 of Part 16 of that Act;</p> <p>(b) in the case of any other licensee which is required by the law of a country or territory within the European Economic Area to appoint an auditor under provisions analogous to Chapter 2 of Part 16 of the Companies Act 2006, a person so appointed; and</p> <p>(c) in any other case, a person who is eligible for appointment as a company auditor under sections 1212 and 1216 of the Companies Act 2006.</p>
Appropriate Time	means three months, or such shorter period as the Authority may approve in respect of any person or class of persons.
Appropriately Qualified Independent Examiner	means a chartered accountant, chartered tax adviser, or equivalent, from a firm regulated by a relevant professional body, who may be an employee of the licensee's Appropriate Auditors.
Asset	means primary or light current equipment on the transmission system.
Asset Data	means the data on the condition, location, operating environment, function, duty, and other relevant characteristics of NARM Assets, which is necessary for the calculation of Monetised Risk.
Asset Intervention	means a deliberate action, on the part of the licensee, that improves or maintains the Monetised Risk of an asset or group of assets.
Asset Management Systems	means the set of interrelated and interacting elements, including those IT systems used for the collecting, storing and interrogating of Asset Data, that the licensee has in place to establish its asset management policy and asset management objectives and the processes needed to achieve those objectives.
Asset Risk	means the estimated average expected impact of a Network Asset with given characteristics (such as those referred to in the definition of Asset Data) failing over a given time period, so that when scaled up to a sufficiently large population of identical Network Assets, the sum of the individual Asset Risks will equate to the total expected impact of asset failure for the population over the same time period.
Associate	means:

	<p>(a) an Affiliate or Related Undertaking of the licensee;</p> <p>(b) an Ultimate Controller of the licensee;</p> <p>(c) a Participating Owner of the licensee; and</p> <p>(d) a Common Control Company.</p>
Associated Document	means a document issued and amended by the Authority by direction in accordance with the special conditions of this licence and any reference to an Associated Document is to that document as amended from time to time unless otherwise specified.
ASTI	<p>means the assets constituting an investment in the Transmission System, where the investment:</p> <p>(a) meets the definition of LOTI as set out in Special Condition 1.1 of this licence as in force on 31 March 2026;</p> <p>(b) has been identified by the ISOP as being needed to be operational by 2030 to meet the UK Government's ambition to connect 50GW offshore wind generation; and</p> <p>(c) satisfies the Authority that there is clear evidence that the expected consumer benefits of applying the accelerated delivery framework to the project exceeds the expected consumer detriment.</p>
ASTI Confidential Annex	means the latest version of the confidential document containing confidential / commercially sensitive information related to the ASTI framework issued to the licensee by the Authority.
ASTI Cost And Output Adjusting Event	means events outside of the licensees' reasonable control and which the licensee could not have economically and efficiently planned a contingency for which have a material impact on the scope or cost of an ASTI Output.
ASTI ODI Penalty Exemption Period	means the number of days after the ASTI ODI Target Date for which the Authority decides an ASTI output delivery incentive penalty will not apply following an application under Part B of Special Condition 4.7 (Accelerated strategic transmission investment output delivery incentive).
ASTI ODI Target Date	means the date from which the licensee is not eligible for a reward under the ASTI output delivery incentive as stated in Appendix 1 of Special Condition 4.7 (Accelerated strategic transmission investment output delivery incentive).
ASTI ODI-F Delay Event	<p>means an event that:</p> <p>(a) causes, or is reasonably expected to cause, one or more ASTI projects to be delayed by at least 30 days;</p>

	(b) is outside the licensee's reasonable control; and
	(c) is not attributable to any error or failure on the licensee's part.
ASTI Outputs	means the outputs included in Appendices 1 and 2 to Special Condition 3.21 (Accelerated strategic transmission investment Re-opener and Price Control Deliverable).
ASTI Pre-Construction Funding	means the funding required to complete Pre-Construction Works on an ASTI project.
ASTI Project Assessment Decision	means a document of that name setting out the Authority's decision on an application by the licensee under Part D of Special Condition 3.21 (Accelerated strategic transmission investment Re-opener and Price Control Deliverable): <ul style="list-style-type: none"> a) on the ASTI Output, delivery date and associated allowances to be specified in Appendix 1 to Special Condition 3.21; b) on any additional events that are to be considered ASTI Cost And Output Adjusting Events for that ASTI; and c) on the availability standard for the relevant ASTI Output to be specified in Appendix 2 to Special Condition 3.21 with any modifications to Special Condition 3.21 being made under section 11A of the Act.
the Authority	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Authority's Website	means www.ofgem.gov.uk .
Baseline Allowed NARM Expenditure	means the allowed expenditure associated with the Baseline Network Risk Outputs as set out in Appendix 1 to Special Condition 3.1 (Baseline Network Risk Outputs).
Baseline Network Risk Output	means the cumulative total of Network Risk Outputs for all items allocated to 'NARM Funding Category A1' for a given risk sub-category in the licensee's Network Asset Risk Workbook.
Basic PCD Report	has the meaning given to that term in the PCD Reporting Requirements and Methodology Document.
Bengeworth Road GSP Project	means the project to install a new Grid Supply Point at Bengeworth Road to connect to the main London Power Tunnels.
Bespoke Procurement	means, for the purpose of Special Condition 3.16 (Advanced Procurement Mechanism (APM) Allowance and APM Re-opener (APM _r)), procurement that is not Flexible Procurement, or that is

	procurement that the Authority otherwise decides to be bespoke and is thus assessed for APM eligibility on a project-specific basis by the Authority, and is specified as such in the APM Register.
Between	in the context of something being done, or occurring, between two dates, means on or after the first date and on or before the second date.
Bidder	has the meaning given in Regulation 2 of the Electricity (Early Model Competitive Tenders for Onshore Transmission Licences) Regulations 2025.
Bidding Unit	means any part of the licensee's Transmission Business (or an Associate of the licensee) that intends to participate, or is participating in, an Onshore Transmission Tender Exercise as a Bidder.
Business Plan	means a plan of the sort that the licensee was invited to submit by paragraph 3.6 of the document titled 'RIIO-3 Sector Specific Methodology Decision Overview document', published by the Authority on 18 July 2024.
Business Support Costs	has the meaning given to that term in the latest RIGs.
CAF Outcomes	means the outcomes set out under the cyber security and resilience principles set out in the document titled "NIS Supplementary Guidance and CAF Overlay for DGE Sector", published by the Authority on 1 August 2023 as amended from time to time.
CAI UIOLI Governance Document	means the document issued by the Authority in accordance with Special Condition 3.13 (Closely Associated Indirects use it or lose it allowance).
Caithness Moray HVDC Link	refers to the reinforcement project in the north-east of Scotland comprising a high-voltage direct current (HVDC) cable across the Moray Firth and associated onshore works, delivering additional transmission capacity across boundaries B0 and B1 to accommodate renewable generation
Calculated Revenue	has the value derived in accordance with Part D of Special Condition 2.1 (Revenue Restriction).
Calculated Tax Allowance	means the value of the TAX_t term as set out in the "Revenue" sheet of the ET3 Price Control Financial Model.
CAM Activity	means an output, activity or deliverable that the licensee is applying to reallocate under Special Condition 3.8 (Coordinated adjustment mechanism Re-opener (CAM_t)).

Car	means a vehicle constructed for passenger carrying with up to eight seats (excluding the driver).
Carbon Compensation	means investment in: (a) projects that remove or prevent greenhouse emissions; or (b) carbon credits which are regarded as high quality in accordance with the principles set out in the Carbon Offset Guide published by Greenhouse Gas Management Institute and the Stockholm Environment Institute.
Carry-over Network Innovation Allowance	means the allowance provided by Special Condition 5.3 (Carry-over Network Innovation Allowance) to extend the RIIO-2 NIA for an additional Regulatory Year, and the first half of the following Regulatory Year.
Closely Associated Indirects	has the meaning given to that term in the RIGs.
CO ₂ e	means carbon dioxide equivalent.
Commercial Customer	means any person who is supplied or required to be supplied with electricity and is not a Domestic Customer.
Common Control Company	has the meaning given to that term in Standard Condition B7 (Availability of Resources).
Community Funds	means the community fund for transmission infrastructure introduced by UK Government.
Community Funds Pass-through Guidance	the guidance document issued by the Authority in accordance with Part D of Special Condition 6.1 Pass-through items (PTi)
Company Tax Return	means the financial information that the licensee is required to file with His Majesty's Revenue and Customs each year for the purposes of calculating its Actual Corporation Tax Liability.
Competent Authority	means the Secretary of State, the Authority, the Compliance Officer, the London stock exchange, the Panel on Take-overs and Mergers, or any local or national agency, regulatory body, authority, department, inspectorate, minister (including Scottish Ministers), ministry, official or public or statutory person (whether autonomous or not) of, or of the government of Scotland, the United Kingdom, the United States of America or the European Union.
Competition and Markets Authority	means the competition authority established under section 25 of the Enterprise and Regulatory Reform Act 2013.
Completion Date	has the meaning given to that term in the STC.

Compliance Certificate	means a certificate to certify that to the best of the Single Appointed Director's knowledge, information and belief, having made due and careful enquiry, the report of the Compliance Officer fairly represents the licensee's compliance with the Specified Duties.
Compliance Committee	means a sub-committee of the board of the licensee, for the purpose of overseeing and ensuring the performance of the duties and tasks of the Compliance Officer and the compliance of the licensee with its Specified Duties.
Compliance Officer	means a person appointed by the licensee for the purpose of facilitating compliance by the licensee with its Specified Duties.
Compliance Report	means an annual report provided by the licensee to the Authority which demonstrates its compliance with the Specified Duties during the period since the last Compliance Report and its implementation of the practices, procedures and systems adopted in accordance with the Compliance Statement.
Compliance Statement	means a statement provided by the licensee to the Authority describing the practices, procedures and systems by which the licensee will secure compliance with the Specified Duties.
Confidential Information	means any information, which is commercially sensitive, and relates to or derives from the management or operation of the Transmission Business.
Conflict Management Audit Terms of Reference	means the document of that name published on the Authority's Website in accordance with Part E of Special Condition 9.21 (Conflict Mitigation Arrangements for Onshore Transmission Tender Exercise).
Conflict Mitigation Methodology	means the document of that name published on the Authority's Website in accordance with Part D of Special Condition 9.21 (Conflict Mitigation Arrangements for Onshore Transmission Tender Exercise)
Conflict Mitigation Statement	means the document of that name required to be prepared by the licensee in accordance with Part D of Special Condition 9.21 (Conflict Mitigation Arrangements for Onshore Transmission Tender Exercise).
Conflicts Management Officer	has the meaning given to that term in the Conflict Mitigation Methodology.
Connections Incentive Target Date	means the date for each Connection Project, Between 1 April 2026 and 31 March 2031, against which performance will be measured in Special Condition 4.4 connections output delivery

	incentive (CON _i), which will be determined for each Connection Project in accordance with paragraph 4.4.6.
Connection Project	means works included in a TO Construction Agreement to be carried out by the licensee in order to directly connect a customer to the licensee's Transmission System or to accommodate embedded generation and demand being connected to a distribution network operator's Distribution System.
Connection Project Completion Date	means the date upon it is agreed a Connection Project is to be completed and available for commercial load, as set out in the TO Construction Agreement. Where a Connection Project has multiple stages it will be the last such date from all stages which is used as the Connection Project Completion Date.
Connection Project Register	means a licensee-specific document detailing all Connection Projects with corresponding Connection Project Completion Dates which is updated by the licensee and shared with the Authority in accordance with Part B of Special Condition 4.4 connections output delivery incentive, and which is shared only with the relevant licensee and will otherwise be kept confidential.
Consumer Outcome	<p>means:</p> <p>(a) the expected benefits to existing and future consumers in terms of maintenance of existing levels of, or improvements in the Transmission System's capability or resilience; or</p> <p>(b) the expected benefits to consumers in terms of service quality, over what would have been the whole life of the output specified in the relevant special condition had it been delivered as specified. In the context of works delivered by the licensee, this means the benefits to customers or consumers in terms of maintenance of existing levels of, or improvements in the Transmission System's capability or resilience, or benefits to consumers in terms of service quality, that can be attributed to, and reasonably expected from, the works delivered by the licensee over the whole life of the works delivered.</p>
Consumer Prices Index Including Owner Occupiers' Housing Costs	means the monthly values of the "CPIH All Items", series ID "L522", published by the Office for National Statistics (or any other public body acquiring its functions).
Cost and Output Adjusting Event	<p>means:</p> <p>(a) an Extreme Weather Event;</p>

	<p>(b) the imposition of additional terms or conditions under a statutory consenting process (including but not limited to planning consent);</p> <p>(c) unforeseen ground or sea-bed conditions;</p> <p>(d) for the purposes of a particular CSNP Re-opener Output under Special Condition 3.19 (CSNP Re-opener and Price Control Deliverable (CSNPR_t)), any event that the Authority decides is a Cost And Output Adjusting Event in the CSNP Re-opener Project Assessment Decision; or</p> <p>(e) for the purposes of a particular Load Re-opener Output under Special Condition 3.18 (Load Re-opener and Price control Deliverable (LR_t)), any event that the Authority decides is a Cost And Output Adjusting Event in the Project Assessment Decision.</p>
Cost-Benefit Analysis	means any analysis that considers, as appropriate, both the tangible costs (for example, the cost of replacement) and intangible costs (for example, costs associated with injury or loss of life) associated with, and benefits delivered by, an investment option or range of options.
Critical National Infrastructure	<p>means those critical elements of infrastructure (namely assets, facilities, systems, networks or processes and the essential workers that operate and facilitate them), the loss or compromise of which could result in:</p> <p>(a) major detrimental impact on the availability, integrity or delivery of essential services - including those services whose integrity, if compromised, could result in significant loss of life or casualties - taking into account significant economic or social impacts; or</p> <p>(b) significant impact on national security, national defence, or the functioning of the state.</p>
CSNP	means the Centralised Strategic Network Plan (CSNP) for long-term development of the electricity and gas transmission systems, including hydrogen and other energy vectors over a 25-year period that identifies the need for delivery of immediate and future infrastructure projects across Great Britain as well as identifying solutions for long and short-term system operability issues.
CSNP Coordination Governance Document	means the guidance document issued by the Authority in accordance with Part B of Special Condition 9.22 (CSNP Coordination)

CSNP Re-opener Output	means an output in Appendix 1 of Special Condition 3.19 (CSNP Re-opener and Price Control Deliverable (CSNPR _t))
CSNP Re-opener Project Assessment Decision	<p>means a document of that name setting out the Authority's decision on an application by the licensee under Part D of Special Condition 3.19 (CSNP Re-opener and Price Control Deliverable (CSNPR_t)):</p> <p>a) on the CSNP Re-opener Output and associated allowances to be specified in Appendix 1 to Special Condition 3.19;</p> <p>b) on any additional events that are to be considered Cost And Output Adjusting Events for that CSNP Re-opener Output; and</p> <p>c) on the minimum availability standard for the relevant CSNP Output to be specified in Appendix 2 to Special Condition 3.19; with any such modifications to Special Condition 3.19 being made under section 11A of the Act.</p>
Current Monetised Risk	means the Monetised Risk of an existing asset or group of assets, based on the most recently gathered or derived Asset Data.
CUSC	means the Connection and Use of System Code prepared by the ISOP pursuant to Condition E2 (Connection and Use of System Code (CUSC)) of the Electricity System Operator Licence, as from time to time modified in accordance with that condition.
Cyber Resilience Plan	means a plan of the sort that the licensee was invited to submit a Cyber Resilience Business Plan at Chapter 3 of the document titled "RIIO-3 - NIS-R Cyber Resilience Business Plan Assessment Methodology and Requirement", published by the Authority on 30 September 2024.
Cyber Resilience Allowances Table	means the table of that name in the document identified in Appendix 1, to Special Condition 3.2 (Cyber Resilience Allowances Table) by its title and publication date.
Cyber Resilience PCD Table	means the table of that name in the document identified in Appendix 2 to Special Condition 3.2 (Cyber Resilience PCD table) by its title and publication date.
Cyber Resilience Re-opener Allowances Table	means the table of that name in the document identified in Appendix 3 to Special Condition 3.2 (Cyber Resilience Re-opener Allowances Table) by its title and publication date.
Cyber Resilience UIOLI Allowances Table	means the table of that name in the document identified in Appendix 4 to Special Condition 3.2 (Cyber Resilience Use It Or Lose It Allowances Table) by its title and publication date.
Data Best Practice Guidance	means the guidance document issued by the Authority in accordance with Special Condition 9.5 (Digitalisation).

Data Sharing Infrastructure (DSI)	means a digital infrastructure that comprises of the technologies and common data standards to facilitate seamless and secure data sharing between multiple entities
De Minimis Business	<p>means any business or activity carried on by the licensee or a relevant Associate other than:</p> <p>(a) the Transmission Business; and</p> <p>(b) any other business activity to which the Authority has given its consent in writing in accordance with paragraph 3(d) of Standard Condition B6 (Restriction on Activity and Financial Ring Fencing).</p>
Delayed	means where the licensee has not delivered the output set out in the relevant special condition in full by the relevant delivery date, but intends to deliver the output in full or in part at a later date.
Delivery Body	means the body designated by Regulation 3 of the Electricity (Designation of Delivery Bodies) (Transmission) Regulations 2023
Delivery Track Projects	means the projects that received Development Track Pre-Construction Funding in the RIIO-ET2 price control
Demand Connection	means the transmission infrastructure works required to connect new demand capacity to the National Electricity Transmission System.
Demand Connection Capacity	means the incremental increase in the offtake capacity at grid exit points, in MVA, associated with single or multiple new Demand Connections as specified in a relevant agreement between the licensee and the ISOP pursuant to the STC.
Designated Areas	means areas designated for conservation by UK, Welsh, or Scottish government agencies, or relevant UK, Scottish, or Welsh Ministers as Environmentally Sensitive Areas, National Landscapes, National Nature Reserves, Heritage Coasts, National Scenic Areas, Sites of Special Scientific Interest, and National Parks.
Development Funding	means the funding required to complete the works required on Development Track projects for the completion of their associated Price Control Deliverable requirements and for further project development until the end of RIIO-ET2.
Development Track Projects	projects that received Development Funding in RIIO-ET2.
Digitalisation	means using Energy System Data and digital technology to generate benefits for consumers and stakeholders.

Digitalisation Action Plan	means a document prepared and published by the licensee in accordance with Part B of Special Condition 9.5 (Digitalisation).
Digitalisation Strategy	means a document prepared and published by the licensee in accordance with Part A of Special Condition 9.5 (Digitalisation).
Direct Costs	has the meaning given to that term in the latest RIGs.
Directly Remunerated Services	has the meaning given to that term in Part A of Special Condition 9.7 (Directly Remunerated Services).
Disaggregated Network Risk Output	means a disaggregated component of the Baseline Network Risk Outputs or Outturn Network Risk Outputs into units appropriate for investment planning or delivery assessment purposes. Disaggregation may, for example, be at project, asset category, or intervention level, or combinations of these.
Disapplication Date	means the date proposed by the licensee under a Disapplication Request on and after which the specified Relevant Special Conditions (or any part or parts of them) would cease to have effect.
Disapplication Notice	means the notice under Special Condition 9.6 (Disapplication of Relevant Special Conditions) that terminates the application of the Relevant Special Conditions (or any part or parts of them) specified in that request.
Disapplication Request	means a request under Special Condition 9.6 (Disapplication of Relevant Special Conditions) to consent to the disapplication of the Relevant Special Conditions (in whole or in part).
Distribution Licence	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Distribution System	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Domestic Customer	means any person who is supplied or requires to be supplied with electricity at premises at which a supply of electricity is taken wholly or mainly for domestic purposes (but excludes such person insofar as he is supplied or required to be supplied at premises at which supply is taken for non-domestic purposes).
DSAP Guidance	means the guidance document issued by the Authority in accordance with Part C of Special Condition 9.5 (Digitalisation).
Early Construction Funding	means allowances in addition to ASTI Pre-Construction Funding in relation to an ASTI Output provided before an ASTI Project Assessment Decision and related to: (a) strategic land purchases;

- (b) early enabling works;
- (c) early procurement commitments; and/or
- (d) other activities approved in advance by the Authority.

Early Enabling Works means establishment of site welfare and access, and validation of assumptions at the design stage.

Eastern 1 HVDC Link means the high voltage electric lines and electrical plant comprising the following components:

- a) a high voltage direct current cable, the sole purpose of which is to transmit electricity between the Transmission Area of SP Transmission plc as defined in Special Condition 1.1 of its licence and the licensee's Transmission Area via an onshore and subsea corridor the route of which extends, in part, outside of Great Britain, the territorial sea adjacent to Great Britain and any Renewable Energy Zone;
- b) converter stations at either end of the high voltage direct current cable described in paragraph (a) above to facilitate the conversion of power from direct current in the high voltage direct current cable to alternating current in the National Electricity Transmission System; and
- c) cables to connect each converter station described in paragraph (b) above to an appropriate substation in each of the licensee's Transmission Area and SP Transmission Plc's Transmission Area as defined in Special Condition 1.1 of its licence, respectively and that does not transmit electricity for the purposes of offshore transmission as defined in the Act.

Eastern 2 HVDC Link means the high voltage electric lines and electrical plant comprising the following components:

- (a) a high voltage direct current cable, for the purpose of transmitting electricity between the Transmission Area of Scottish Hydro Electric Transmission Plc as defined in Special Condition 1.1 of its licence and the licensee's Transmission Area via an onshore and subsea corridor the route of which extends, in part, outside of Great Britain, the territorial sea adjacent to Great Britain and any Renewable Energy Zone;
- (b) converter stations at either end of the high voltage direct current cable described in paragraph (a) above to facilitate the conversion of power from direct current in the high voltage direct current cable to alternating current in the National Electricity Transmission System; and
- (c) cables that connect each converter station described in paragraph (b) above to a substation in the licensee's

	Transmission Area and Scottish Hydro Electric Transmission Plc's Transmission Area as defined in Special Condition 1.1 of its licence and that do not transmit electricity for the purposes of offshore transmission as defined in the Act.
Efficiency	<p>means expenditure decision making by the licensee that resulted in lower costs than could have been reasonably expected at the time of submitting the Business Plan or Re-opener submission. This does not include:</p> <p>(a) where lower costs have been achieved by delivering a lower Consumer Outcome than would have been achieved if the licensee had delivered the output as specified in the relevant special condition; or</p> <p>(b) where expenditure decisions were the result of factors beyond the reasonable control of the licensee including, but not limited to, growth in demand for the licensee's services or government policy.</p>
Electricity Arbitration Association	means the unincorporated members' club of that name formed inter alia to promote the efficient and economic operation of the procedure for the resolution of disputes within the electricity supply industry by means of arbitration or otherwise in accordance with its arbitration rules.
Eligibility Letter	means the document that the licensee must provide to the Authority in accordance with Part D of Special Condition 3.18 (Load Re-opener and Price Control Deliverable (LR _t)) when seeking to apply for a Project Assessment Decision under that condition.
Electricity Distribution Licensee	means the holder of a licence granted or treated as granted under section 6(1)(c) of the Act.
Electricity System Operator Licence	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Eligible CNIA	means the amount of expenditure spent or accrued by the licensee in respect of Eligible CNIA Projects.
Eligible CNIA Internal Expenditure	means the amount of Eligible CNIA spent or accrued on the internal resources of the licensee.
Eligible SIF Project	means a project undertaken by the licensee or any other Transmission Licensee or the ISOP that the Authority assess as satisfying such requirements of the SIF Governance Document as

	are necessary to enable the project to be funded under the SIF Funding Mechanism.
End of Life Modifier Score	means the adjustment factor applied to an asset's Probability of Failure as defined under the NARM Methodology as provided under Special Condition 9.2 (Network Asset Risk Metric methodology) to reflect the increased risk of failure as the asset approaches or exceeds its expected service life.
Energy System Data	has the meaning given to that term in the Data Best Practice Guidance.
Engineering Guidance Document	means a guidance document developed pursuant to Part F of Special Condition 9.2 (Network Asset Risk Metric methodology).
Enhanced Service or Intervention	means, for the purposes of Special Condition 4.6 (SO-TO Optimisation output delivery incentive (SO-TO _i)), a solution that has been delivered that has reduced Transmission Constraint Costs on either a permanent or temporary basis, the meets the eligibility criteria set out in Part C of Special Condition 4.6, and that is not part of any business-as-usual activity nor already funded as part of RIIO-ET3.
Enhancing Pre-existing Infrastructure Project	means a project that has been approved by the Authority prior to 31 March 2021 to reduce the impact of the assets forming part of the licensee's Transmission System on the visual amenity of Designated Areas.
ENS Exceptional Event	for the purposes of Special Condition 4.2 (energy not supplied output delivery incentive) means an event or circumstance that is beyond the reasonable control of the licensee and which results in or causes electricity not to be supplied to a customer and includes: an act of the public enemy, war declared or undeclared, threat of war, terrorist act, revolution, riot, insurrection, civil commotion, public demonstration, sabotage, act of vandalism, fire (not related to weather), any severe weather event resulting in more than 50 faults being recorded by the licensee on the licensee's Transmission System in any 24-hour period, ISOP- Requested Load Shedding; governmental restraint, Act of Parliament, any other legislation, bye law, directive or decision of a court or Competent Authority or any other body having jurisdiction over the activities of the licensee provided that lack of funds will not be interpreted as a cause beyond the reasonable control of the licensee.

ENS Incentive Methodology Statement	means a document that sets out the methodology the licensee will use to calculate the volume of energy not supplied arising from each Incentivised Loss of Supply Event.
Environmental Action Plan	means the document of that name that the licensee submitted as part of its Business Plan.
Environmental Action Plan Commitments	means the actions and initiatives that the licensee proposed in their Environmental Action Plan to undertake over the course of the Price Control Period.
Environmental Development	means a change in circumstances related to new or amended legislative requirements that relate to the licensee's impact on the environment that are contained within or could have been contained within the licensee's Environmental Action Plan.
Environmental Reporting Guidance	means the document of that name issued by the Authority in accordance with Part B of Special Condition 9.1 (Annual Environmental Report).
Equally Challenging	means presenting equal or higher challenge to the licensee compared to the Baseline Network Risk Outputs, where challenge relates to the scope for a licensee to over-deliver by carrying out the same volume of interventions but selecting different assets for intervention from those assumed in the setting of the Baseline Network Risk Outputs, and the proportionate levels of over-delivery and under-delivery of Baseline Network Risk Outputs resulting from higher or lower level of intervention volumes.
Equipment	means, for the purpose of Special Condition 3.16 (Advanced Procurement Mechanism), any equipment specified as an APM Cost Category in Appendix 1 of the APM Governance Document.
ET NARM Methodology	means the methodology required to be prepared by the licensee in accordance with Part G of Special Condition 9.2 (Network Asset Risk Metric methodology).
ET2 Legacy Price Control Financial Model	means a modified version of the ET2 Price Control Financial Model as that term is defined in Special Condition 1.1 (Interpretation and definitions) of this licence as in force on 31 March 2026.
ET2/ET3 Crossover Submission Requirements and Guidance Document	means the document issued by the Authority in accordance with Part D of Special Condition 3.23 ET2/ET3 Crossover Adjustments (T2ACA _t).

ET3 Price Control Financial Handbook	means the document of that name that was first published by the Authority and which comes into effect on 1 April 2026.
ET3 Price Control Financial Instruments	means the ET3 Price Control Financial Handbook and the ET3 Price Control Financial Model.
ET3 Price Control Financial Model	means the model of that name that was first published by the Authority to come into effect on 1 April 2026.
ET3 Price Control Financial Model Working Group	means the working group identified in and whose terms of reference are set out in Chapter 2 of the ET3 Price Control Financial Handbook.
Evaluative PCD	means a Price Control Deliverable where the relevant licence condition states that the Authority will consider making an adjustment to allowances where an output has not been Fully Delivered.
Exceptional Fault or Failure Events	means unplanned, high-impact asset failure or failures beyond normal reliability assumptions or fault rates, a series of failures or faults of assets on its network in close succession, or a major failure of assets on its network. These events are considered outside routine operational risk and require exceptional intervention.
External Transmission Activities	means any business of the licensee or any Affiliate or Related Undertaking of the licensee comprising or ancillary to the maintenance, repair or operation in an emergency of any electricity distribution system or any part of the National Electricity Transmission System other than the licensee's Transmission System.
Extreme Weather Event	means a weather event with worse than one in ten years probability.
Final Planning Consultation	means the final public consultation – whether statutory or non-statutory – that the licensee undertakes before submitting its primary planning application in relation to a potential Load Re-opener Output project under licence condition 3.18 Load Re-opener and Price control Deliverable (LR _t).
Flexible Procurement	means, for the purposes of Special Condition 3.16 (Advanced Procurement Mechanism), procurement for Equipment or Related Services which, at the time APM Allowance was used to secure the Equipment or Related Services, did not have project-specific design characteristics that would prevent the Equipment or Related Services being used on multiple different projects.

Forecast Monetised Risk	means the Monetised Risk of an asset or group of assets expected to be in operation on a network in a given future scenario, based on the forecast view of Asset Data for the given scenario.
Full PCD Report	has the meaning given to that term in the PCD Reporting Requirements and Methodology Document.
Fully Delivered	means where the output specified in the relevant licence condition has been delivered to the full specification on or before the delivery date specified in that licence condition.
Fully Delivered With An Alternative Specification	means where the licensee has delivered a different specification to that set out in the relevant special condition, while achieving a Consumer Outcome that is materially equivalent or better than what would have been achieved if the licensee had delivered the output as set out in the relevant special condition.
Funding Return	is the total amount, in respect of the licensee, of any amounts arising under the Funding Return Mechanism.
Funding Return Mechanism	<p>means the mechanism that provides for the recovery from the licensee and from other electricity Transmission Licensees and Electricity Distribution Licensees and the ISOP, in each case to such extent (if any) as may be relevant, of:</p> <ul style="list-style-type: none"> (a) Halted Project Revenues; (b) Disallowed Expenditure; (c) Returned Royalty Income; and (d) Returned Project Revenues.
Generation Connection	means the transmission infrastructure works required to connect generation capacity to the National Electricity Transmission System.
Generation Connection Capacity	means the incremental Transmission Entry Capacity, in MW, for generation connected to the National Electricity Transmission System as specified in the relevant agreement between the licensee and the ISOP pursuant to the STC.
Great Britain	has the meaning given under Standard Condition A1 (Definitions and interpretation).
Green Book Supplementary Guidance	means the supplementary guidance to the document titled 'UK Government Treasury's Green Book, for valuation of energy use and greenhouse gas emissions for appraisal', as from time to time amended.
Greenhouse Gas Protocol Website	means https://ghgprotocol.org/

Grid Code	means the grid code required to be drawn up by the ISOP pursuant to Condition E3 (Grid Code) of the Electricity System Operator Licence, as from time to time revised with the approval of the Authority.
Grid Supply Point	means a connection point at which the transmission system is connected to a distribution system
Harmonic Filtering Equipment	means equipment used to reduce harmonic distortion and resonance in electricity systems.
HGV	means a heavy goods vehicle with a gross vehicle weight of no less than 7,000kg.
IIG Emissions Data Discrepancy	<p>means, in respect of reported leakage of an Insulation and Interruption Gas, an event or circumstance that:</p> <p>(a) is a result of the inaccuracy of the original equipment manufacturer (OEM) nameplate labelling of one or more SF6 assets; and</p> <p>(b) is not capable of prevention, or the impact of which is not capable of mitigation, by the economical and efficient deployment of measures.</p>
IIG Exceptional Event	<p>means, in respect of the leakage of an Insulation and Interruption Gas, an event or circumstance that:</p> <p>(a) is beyond the reasonable control of the licensee;</p> <p>(b) is not capable of prevention, or the impact of which is not capable of mitigation, by the economical and efficient deployment of reasonable measures; and</p> <p>(c) results in, causes or prohibits the timely prevention of the leakage.</p>
IIG Methodology Statement	means the document prepared by the licensee in accordance with Part B of Special Condition 4.3 (Insulation and Interruption Gas emissions output delivery incentive (IIGI _t)).
Improvement Plan	means a plan of the sort that the licensee submits as part of its Network and Information Systems (NIS) compliance reporting requirements each year as set under the 'NIS Guidance for Downstream Gas and Electricity Operators of Essential Services in Great Britain v2.0' last published by the Authority on 1st April 2022 (or after if or when a new version is made available).
Incentivised Loss of Supply Event	means any event on the licensee's Transmission System that causes energy not to be supplied to a customer, subject to the following exclusions:

- (a) any energy not supplied to customers that have requested a lower standard of connection than that provided in the NETS SQSS (or such other standard of planning and operation as the Authority may approve from time to time and with which the licensee may be required to comply);
- (b) any energy not supplied resulting from a shortage of available generation;
- (c) any energy not supplied resulting from a de-energisation or disconnection of a User's equipment under an event of default as defined in the CUSC;
- (d) any energy not supplied resulting from a User's request for disconnection in accordance with the Grid Code;
- (e) any energy not supplied resulting from emergency de-energisation by a User as defined in the CUSC;
- (f) any energy not supplied resulting from an emergency de-energisation or disconnection of a User's equipment necessary to ensure compliance with the Electricity Safety, Quality and Continuity Regulations 2002, as amended from time to time, or otherwise to ensure public safety; and
- (g) any event lasting less than or equal to three minutes.

Incremental Deficit	has the meaning given in the Pensions RIGs.
Independent Examiner	means a person nominated by and independent of the licensee with the skill and knowledge to undertake an examination.
Independent Technical Adviser	the party(ies) appointed by the Authority to fulfil the role of providing assurance to the Authority on the design, procurement, cost and overall delivery of selected load projects delivered by Transmission Owners. It may be used to inform Authority decisions, by providing assurance of the information on which a decision is being taken.
Indirect Investment	means any investment made by the Licensee through an Affiliate or Related Undertaking, rather than directly by the Licensee itself.
Information Gathering Plan	means a plan required by Part E of Special Condition 9.2 (Network Asset Risk Metric methodology).
Innovation	means: <ul style="list-style-type: none"> (a) solutions that have been trialled by any Network Licensee as part of a RIIO-2 Network Innovation Allowance project pursuant

to the requirements of the RIIIO-2 NIA Governance Documents or a RIIIO-3 NIA Project; or

(b) involves the application of technology, systems or processes that were not proven as at the time of submission of the Business Plan.

Innovative Delivery	means licensee actions that have delivered demonstrable and significant consumer value through the behaviour areas specified in the Innovative Delivery Incentive Guidance Document.
Innovative Delivery Incentive Guidance Document	means the document issued by the Authority under Part C of Special Condition 4.5 (Innovative Delivery output delivery incentive).
Innovative Delivery Incentive Performance Panel	means a panel established by the Authority to make non-binding recommendations to the Authority on the performance of the licensee for the purposes of the Innovative Delivery output delivery incentive established by Special Condition 4.5 (Innovative Delivery output delivery incentive).
Innovative Delivery Incentive Performance Panel Submission	means a document prepared and published by the licensee in accordance with Part B of Special Condition 4.5 (Innovative Delivery output delivery incentive).
Insulation And Interruption Gas	means a gas with a global warming potential of greater than one, used within electrical switchgear and transmission assets with a suitable dielectric strength to enable use as an insulator to prevent discharge or as an interruption aid to prevent flow of current during planned or non-planned switching.
Insurance	has the meaning given to that term in the latest RIGs.
Invitation to Tender (ITT) Stage	means the stage of an Onshore Transmission Tender Exercise for the Delivery Body to determine which Qualifying Bidder is to be selected to become the provisional preferred bidder in respect of that Onshore Transmission Tender Exercise.
ISOP	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
ISOP-Requested Load Shedding	means a request by the ISOP for the licensee to reduce demand on its Transmission System through the deliberate staged disconnection of customers, where network conditions leading to the request were not attributable to any error, action or inaction on the licensee's part.

IT	means a licensee's information technology for business systems that relate to the use of computers, software, hardware and other systems and devices to perform business operations.
IT & Telecoms (Business Support)	has the meaning given to that term in the latest RIGs.
ITA Call-off Contract	Means any contractual agreements entered into between the Authority, the licensee and the party(ies) appointed as the Independent Technical Adviser, pursuant to the ITA Framework Agreement.
ITA Framework Agreement	means the overall framework of terms and conditions agreed between the Authority and the organisations appointed as the Independent Technical Adviser.
ITA Guidance Document	means the document issued by the Authority under Part B of Special Condition 6.2 (Independent Technical Adviser).
ITA Terms of Reference	means the text of that name issued and maintained by the Authority that contains the description of the services required by the Authority from the Independent Technical Adviser.
Kintyre-Hunterston Transmission Line	means the transmission reinforcement project involving a subsea and onshore link between the Kintyre peninsula and Hunterston, designed to deliver additional transmission capacity across the B3 boundary in South West Scotland.
Landscape Enhancement Initiative Project	means a landscaping or environmental enhancement scheme that has been informed by stakeholder engagement, to mitigate the impact of Pre-existing Transmission Infrastructure on the visual amenity of Designated Areas, or otherwise enhance the overall visual amenity of a Designated Area impacted by Pre-existing Transmission Infrastructure.
Large Van	means a van with a gross vehicle weight of no less than 3,500kg.
Licensed Activity	has the meaning given to the term "Transmission Owner Activity" in Standard Condition B1 (Regulatory Accounts).
Load Re-opener Guidance and Submission Requirements Document	means the document of that name issued by the Authority in accordance with Part J of Special Condition 3.18 (Load Re-opener and Price Control Deliverable).
Load Re-opener Output	means outputs specified in Appendix 1 of Special Condition 3.18 (Load Re-opener and Price Control Deliverable) which are the assets constituting an investment in the Transmission System, which investment:

	<p>(a) is expected to cost more than £40m of capital expenditure; and</p> <p>(b) is, in whole or in part, load-related.</p>
Load Related Expenditure	<p>means expenditure incurred by the licensee in relation to transmission infrastructure works that are primarily driven by changes in system demand or generation, and which are: (a) Transmission Owner identified works; (b) supported by Transmission Owner Construction Agreements (TOCAs); (c) recommendations from the ISOP; or (d) associated with new or modified connections, reinforcement, or fault level mitigation works required to accommodate load growth or generation changes.</p>
Load Shedding	<p>means the disconnection of demand as a measure to ensure the safety and integrity of the National Electricity Transmission System.</p>
Load UIOLI Governance Document	<p>means the document issued by the Authority in accordance with Part C of Special Condition 3.17 (Load use it or lose it allowance).</p>
Local Area Energy Plan	<p>means a plan owned by a local authority that has been developed in the context of achieving net zero and on which a range of stakeholders including Network Licensees have been invited to comment.</p>
Long-term Monetised Risk	<p>means the Monetised Risk measured over a defined period of time greater than one year from a given start date and equal to the cumulative Single-year Monetised Risk values over the defined period.</p>
Loss of Supply Event	<p>means any event on the licensee's Transmission System that causes electricity not to be supplied to a Domestic Customer or to a Commercial Customer for a period of six hours or longer.</p>
Major Project	<p>for the purpose of Special Condition 4.8 (Major Projects output delivery incentive (MPI_t)), means an infrastructure project constituting an investment in the Transmission System, which has been designated as a Major Project under Special Condition 4.8 (Major Projects output delivery incentive (MPI_t)), Part B or Part C.</p>
Major Project Fundamental Scope Change	<p>for the purpose of Special Condition 4.8 (Major Projects output delivery incentive (MPI_t)), means a change to the scope of a Major Project whereby the design solution now required to meet the identified system need constitutes a different project to that which was designated under Special Condition 4.8 (Major Projects output delivery incentive (MPI_t)) Part B or Part C.</p>

Major Projects ODI-F Delay Event	<p>means an event that:</p> <p>(a) is outside the licensee's control;</p> <p>(b) the licensee has used its best endeavours to prevent the occurrence of, and to mitigate the impact of;</p> <p>(c) causes, or is reasonably expected to cause, one or more Major Projects to be delayed by at least 30 days; and</p> <p>(d) is caused by one or more of the following:</p> <ol style="list-style-type: none"> i. activity by a different Transmission Licensee, working on the same project, that directly impacts the licensee's delivery of the project; ii. acquisition of land / necessary land rights via compulsory acquisition; iii. delays in obtaining planning approval and consents; iv. delays regarding seabed leasing or agreements for interaction with other third-party infrastructure; v. pandemic or livestock epizootic; vi. significant archaeological discoveries; vii. significant change to project scope; viii. significant protestor action; ix. unforeseen and significant ground or seabed conditions; x. changes in law, regulation, and international treaties, applicable to the UK, which are reasonably unforeseeable and which were not foreseen by the licensee; xi. unforeseen unexploded ordinance mitigation; and/or xii. war, hostilities, or terrorist events.
Major Projects ODI-F Delivered Date	means the date on which the Major Project has been delivered to the full specification.
Major Projects ODI-F Penalty Exemption Period	means the number of days after the Major Projects ODI-F Target Delivery Date for which the Authority decides a penalty will not apply following an application under Part D of Special Condition 4.8 (Major Projects output delivery incentive (MPI _t)).
Major Projects ODI-F Target Delivery Date	means the date after which the licensee is not eligible for a reward under Special Condition 4.8 (Major Projects output delivery incentive (MPI _t)) as specified in Appendix 1 or Appendix 2 of Special Condition 4.8 (Major Projects output delivery incentive (MPI _t)).
Major Projects ODI-F Governance Document	means the document issued by the Authority in accordance with Part E of Special Condition 4.8 (Major Projects output delivery incentive (MPI _t)).

Managing Director Of Transmission	means a person responsible for the conduct of the Transmission Business and any External Transmission Activities.
Materiality Threshold	for the relevant licensee, has the value: £53.5m.
Mature Innovation	<p>in relation to the Digitalisation Re-opener means a product or service that has:</p> <p>(a) progressed through network innovation spending, such as the SIF, NIC, or NIA, to the point where it is ready to be considered as part of business-as-usual operations; or</p> <p>(b) is the result of industry-wide activities relating to the modernisation of regulatory reporting.</p>
Medium Van	means a van with a gross vehicle weight of greater than 2,100kg and less than 3,500kg.
Modification Application	has the meaning given to that term in the CUSC.
Monetised Risk	means an estimation of Asset Risk as derived in accordance with the NARM Methodology as well as the similarly derived estimated risks associated with aggregated asset groupings, and disaggregated sub-components, as relevant.
Monetised Risk Benefit	<p>means the risk benefit delivered or expected to be delivered by an Asset Intervention, which:</p> <p>(a) is the difference between without intervention and with intervention Monetised Risk;</p> <p>(b) can be measured over one year or over a longer period of time; and</p> <p>(c) includes both direct (i.e. on the asset itself) and indirect (i.e. on adjacent assets or on the wider system) risk benefits.</p>
Named Baseline Deliverables	<p>means, for the purposes of Special Condition 3.48 (NLRE Named Price Control Deliverable (NPA_t)), a non-load related named project or output:</p> <p>(a) that is specified in Appendix 1 to Special Condition 3.45 with an identified scope and a delivery date; and</p> <p>(b) for which an allowance is specified in Appendix 1 to Special Condition 3.48.</p>
Named Pipeline Deliverables	means, for the purposes of Special Condition 3.48 (NLRE Named Price Control Deliverable (NPA _t)), non-load related named projects or outputs:

	<p>(a) that are specified in Appendix 2 of Special Condition 3.48 with an identified scope and indicative delivery date; and</p> <p>(b) for which no baseline allowance is specified in Appendix 2 to Special Condition 3.48.</p>
NARM Asset	means an asset specified within the NARM Methodology where its associated Monetised Risk can be estimated by applying the NARM Methodology.
NARM Asset Category	means a group of assets with similar functions and design as specified in the NARM Methodology.
NARM Crossover Projects	means RIIO-ET2 projects approved by the Authority for delivery in RIIO-ET3 under the NARM Handbook, and listed in Appendix 4 of Special Condition 3.10, following RIIO-ET2 closeout.
NARM Handbook	<p>means the document of that name issued by the Authority and maintained under Special Condition 3.1 (Baseline Network Risk Outputs) that:</p> <p>(a) sets out the methodology for calculating relevant funding adjustments and penalties as a result of Outturn Network Risk Outputs being different to Baseline Network Risk Outputs; and</p> <p>(b) provides guidance to the licensee on providing justification for over-delivery and under-delivery; the treatment of Non-Intervention Risk Changes and the meaning and treatment of ‘clearly identifiable over-delivery’ and ‘clearly identifiable under-delivery’.</p>
NARM Methodology	means the methodology established pursuant to Part A of Special Condition 9.2 (Network Asset Risk Metric methodology).
NARM Objectives	means the objectives set out in Part B of Special Condition 9.2 (Network Asset Risk Metric methodology).
National Underground Asset Register	is a digital map of underground pipes and cables in England, Wales and Northern Ireland funded by asset owners under the Data (Use and Access) Act 2025.
NCSC	means the UK’s National Cyber Security Centre.
NCSC Cyber Assessment Framework	means the cyber assessment framework (CAF), issued by the NCSC, which provides a structured methodology for evaluating and enhancing organisational cyber resilience. It comprises 16 principles addressing governance, risk management, and technical controls, offering a consistent basis for assessing compliance and maturity. The framework is outcome-focused rather than prescriptive, enabling organisations to evidence progress toward robust cybersecurity.

NCSC CAF Contributing Outcomes	means the 39 specific cybersecurity objectives within the NCSC Cyber Assessment Framework (CAF), each aligned to one of 16 CAF principles and designed to help organisations demonstrate and improve their cyber resilience through measurable progress ratings such as "Not Achieved", "Partially Achieved", or "Achieved".
National Electricity Transmission System	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
National Energy System Operator	means the National Energy System Operator, as established on 1 st October 2024.
National Risk Register	means the UK Government's official public assessment of the most serious risks facing the UK, including malicious threats, accidents, System Failures, Natural and Environmental Hazards, and other risks that could impact critical national infrastructure, as published by the Cabinet Office: https://www.gov.uk/government/publications/national-risk-register-2025
Natural And Environmental Hazards	means hazards as described in the National Risk Register, including storms, flooding (coastal, fluvial, surface water), drought, wildfire, extreme temperatures, earthquakes, volcanic eruptions, severe space weather.
Needs Case	means the stage of assessment under Part F of Special Condition 3.18 (Load Re-opener and Price control Deliverable (LR _i)).
Net Zero Carbon Targets	means the targets set out in: (a) section 1 of the Climate Change Act 2008; (b) section A1 of the Climate Change (Scotland) Act 2009; and (c) section 29 of the Environment (Wales) Act 2016.
Net Zero Development	means a change in circumstances related to the achievement of the Net Zero Carbon Targets that is: (a) a change in national government policy (including policies of the devolved national parliaments); (b) a change in local government policy; (c) the successful trial of new technologies or other technological advances; (d) a change in the pace or nature of the uptake of low carbon technologies; or

	(e) new investment arising from the agreement of a Local Area Energy Plan or an equivalent arrangement.
NETS SQSS	means the standards that set out the criteria and methodologies for planning and operating the National Electricity Transmission System, as from time to time amended.
Network Access Policy	means the document of that name approved by the Authority under Special Condition 9.10 (Network Access Policy).
Network Asset	means the assets that collectively form the licensee's Transmission System, and includes the principal components of those assets.
Network Asset Risk Metric	means the Monetised Risk associated with a NARM Asset or the Monetised Risk Benefit associated with a NARM Asset Intervention.
Network Charges	means charges levied by the licensee in respect of the provision of Transmission Network Services.
Network Licensee	means the holder of a licence granted under section 7 of the Gas Act 1986 or section 6(1)(b) or (c) of the Act.
Network Risk Output	means the risk benefit delivered or expected to be delivered by an Asset Intervention and is calculated as the difference between Monetised Risk values associated with the "without intervention scenario" and the "with intervention scenario", measured over a period equal to the assumed intervention lifetime from the end of the Price Control Period, which can vary for asset category or specific assets and intervention types.
NGESO Pension Transfer Costs	means pension scheme costs properly incurred by the licensee that otherwise would not be incurred in the transfer of assets and rights under Schedule 10 of the Energy Act 2023.
NGET Redacted Information Document	means the latest version of the document of that name sent by the Authority to the licensee containing information redacted from this licence.
NIC	means the arrangements known as the network innovation competition established by Special Condition 3I (The Network Innovation Competition) of this licence as in force on 31 March 2021.
NIC Governance Document	means the document of that name maintained by the Authority in accordance with Part C of Special Condition 7.11 (RIIO-ET1 network innovation competition) of this licence as in force on 31 March 2026.

NIS-R	means the Network and Information Systems Regulations 2018, UK law implementing the EU NIS Directive, which sets security and incident reporting requirements for Operators of Essential Services (e.g., energy, transport, water, health) and Relevant Digital Service Providers (e.g., cloud services, online marketplaces) to improve resilience against cyber and physical threats.
NRO	A NIS Responsible Officer (NRO) is a formally designated individual within an Operator of Essential Services (OES) who holds overall responsibility the OES's compliance with the NIS-R.
NOA	means the Network Options Assessment required by Condition C13 (The Network Options Assessment (NOA) process and reporting requirements) of the Electricity System Operator Licence.
Non-Load Network	means the part of the licensee's Transmission System comprising assets whose primary investment drivers are not related to changes in system demand or generation, including assets maintained or replaced for reasons of condition, risk, or statutory compliance.
Non-Load Related Expenditure	means expenditure incurred by the licensee in relation to transmission infrastructure works that are not primarily driven by changes in system demand or generation, and which are: (a) justified by asset condition, end-of-life replacement, fault response, or risk mitigation; (b) supported by engineering justification or Network Asset Risk Metric (NARM) output; (c) independent of any load-related investment need.
Non-operational IT Capex	has the meaning given to that term in the RIGs.
Not Delivered	means where the licensee has not delivered the output as set out in the relevant special condition in full or in part by the relevant delivery date and does not intend to deliver the output in full or in part at a later date.
Operational Load Management Scheme	means an automated system to change load or generation which responds to either network measurements or ISOP instruction in a pre planned script.
Operator of Essential Services	means organisations that provide services deemed critical to the economy and wider society, including essential services such as healthcare, transport, and energy.

Offshore Transmission Licence	means a transmission licence held by an Offshore Transmission Owner.
Offshore Transmission Owner	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Onshore Competition Information Exchange Guidance	means the document of that name issued by the Authority in accordance with Part B of Special Condition 9.20 (Tender Support Activities in onshore electricity transmission).
Onshore Competition Information Exchange Process	means the process of the licensee providing information to the Delivery Body in respect of an Onshore Transmission Tender Exercise.
Onshore Transmission Tender Exercise	has the meaning given in Regulation 2 of the Electricity (Early-Model Competitive Tenders for Onshore Transmission Licences) Regulations 2025.
Operational Performance	is a measure of returns which includes totex and output delivery incentive performance but excludes performance on debt, tax, and the business plan incentive. It also excludes the baseline allowed return on equity.
Operational Services Agreement	means the agreement of that name entered into pursuant to the Independent System Operator and Planner Transfer Scheme made pursuant to paragraph 1 of Schedule 9 of the Energy Act 2023.
OT	means a licensee's operational technology and information systems that monitor and control physical devices and processes of operations which relate to electricity transmission.
Outage Changes	means a change to the outage plan notified to the licensee by the ISOP on or after week 49, as updated from time to time in accordance with the procedures set out in the STC.
Outturn Network Risk Outputs	means the Monetised Risk Benefit delivered during the Price Control Period through the licensee's Asset Interventions and derived so as to give a fair and accurate reflection of the licensee's delivery when compared against Baseline Network Risk Outputs as part of the Authority's assessment of the licensee's overall delivery of its Baseline Network Risk Outputs.
Overhead Line Conductor	means all conductor strung on overhead line Towers.

P50 Delivery Date	means the date by which a given project has a 50% chance of being delivered, determined using statistical methods and project-specific factors, based on a methodology approved by the Authority for this purpose.
Partially Delivered	means where the licensee has delivered some, but not all of the output specified in the relevant special condition.
Partially Delivered With Alternative Specification	means where the licensee has delivered a different specification to that set out in the relevant special condition, while achieving only part of the Consumer Outcome that would have been achieved if the licensee had delivered the output as set out in the relevant special condition.
Participating Owner	has the meaning given to that term in Standard Condition B7 (Availability of Resources).
Partner Licensee	means a Network Licensee that has agreed to accept or transfer responsibility for a CAM Activity.
PCD Reporting Requirements and Methodology Document	means the document of that name issued by the Authority in accordance with Part B of Special Condition 9.3 (Price Control Deliverable Reporting Requirements and Methodology Document).
PCFM Variable Values	means the values in the table of that name in the ET3 Price Control Financial Handbook.
Pension Protection Fund	has the meaning given in the Pensions RIGs.
Pensions Regulator	has the meaning given in the Pensions Act 2004.
Pension Scheme Administration and PPF levy	has the meaning given to that term in the latest RIGs.
Pension Scheme Established Deficit	means the difference between assets and liabilities, determined at any point in time, attributable to pensionable service up to the end of the 31 March 2012 and relating to the Transmission Business under the Authority's Price Control Pension Principles. The term applies equally if there is a subsequent surplus.
Physical Security Baseline Allowances Table	means the table of that name in the document identified in Appendix 1 to Special Condition 3.3 (Resilience Re-opener) by its title and publication date.
Physical Security PCD Table	means the table of that name in the document identified in Appendix 2 to Special Condition 3.3 (Resilience Re-opener) by its title and publication date.

Physical Security Upgrade Programme means the programme of physical security investment at Critical National Infrastructure sites mandated by UK Government, including the programme in place at the start of the Price Control Period and any successor, replacement, or additional programme designated by UK Government during the Price Control Period.

Pre-Construction Funding means the funding required to complete Pre-Construction Works on a Load Re-opener Output or CSNP Re-opener Output or output otherwise listed in appendix 2 of Special Condition 3.15 (Pre-Construction Funding Re-opener and Price Control Deliverable (PCF_t and PCFRE_t)).

Pre-Construction Works means, for the purposes of Special Condition 3.15 (Pre-Construction Funding Re-opener and Price Control Deliverable (PCF_t and PCFRE_t)):

(a) surveys, assessments and studies that inform environment, consenting, and design feasibility decision making;

(b) project design and engineering development that move a project from being 'lines on a map' to a detailed project proposal that can be taken to the market procurement;

(c) stakeholder engagement and consultation which will be key to informing project design and progressing through the consenting process;

(d) tasks associated with wayleaves and easements;

(e) planning applications;

(f) Early Enabling Works;

(g) tender activities; and/or

(h) other activities as may be approved by the Authority

undertaken for the purposes of developing a proposed Load Re-opener Output or proposed CSNP Re-opener Output, or output otherwise listed in appendix 2 of Special Condition 3.15 (Pre-Construction Funding Re-opener and Price Control Deliverable), to the point where all material planning consents have been obtained and the project is ready to begin construction.

and

means, for the purposes of licence condition 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)) this means:

(a) surveys, assessments and studies;

- (b) project design;
 - (c) engineering development;
 - (d) stakeholder engagement and consultation;
 - (e) tasks associated with wayleaves;
 - (f) planning applications;
 - (g) tender activities; and /or
 - (h) other activities as may be approved by the Authority
- undertaken for the purposes of developing an ASTI project to the point where all material planning consents have been obtained and the project is ready to begin construction.

Pre Cut-Off Date Regulatory Fraction	means the fraction used to allocate the proportion of pension scheme liabilities or costs that relate to the period before the Cut-Off Date, as determined under the Authority's pension deficit allocation methodology.
Pre-existing Transmission Infrastructure	means transmission infrastructure assets forming part of the licensee's Transmission System on 1 April 2026.
Prescribed Rates	means: <ul style="list-style-type: none"> (a) business rates in England and Wales; and (b) non-domestic rates in Scotland or any equivalent tax or duty replacing those rates that is levied on the licensee in respect of its Licensed Activity.
Pre-Qualification Stage	means the stage of an Onshore Transmission Tender Exercise for the Delivery Body to determine which Bidders are to become Qualifying Bidders in respect of that Onshore Transmission Tender Exercise.
Price Control Deliverable	means the outputs, delivery dates and associated allowances in Special Conditions 3.2, 3.3, 3.6, 3.9, 3.15, 3.18 to 3.21, 3.25, 3.28 to 3.39, and 3.44 to 3.52.
Price Control Pension Principles	means the principles set out in the Authority's guidance note on price control pension principles issued as Appendix 3 to the decision letter, 'Decision on the Authority's policy for funding Pension Scheme Established Deficits' dated 7 April 2017.
Price Control Period	means the period of five Regulatory Years commencing on 1 April 2026.

Project Assessment Decision	<p>means a document of that name setting out the Authority's decision on an application by the licensee under Part C of Special Condition 3.18 (Load Re-opener and Price Control Deliverable (LR_t)):</p> <p>a) on the Load Re-opener Output and associated allowances to be specified in Appendix 1 to that condition; and</p> <p>b) on any additional events that are to be considered Cost And Output Adjusting Events for that Load Re-opener Output.</p>
Protection And Control	means light current equipment used to identify and rectify faults and provide interface to enable switching on the network.
Qualifying Bidders	has the meaning given in Regulation 2 of the Electricity (Early-Model Competitive Tenders for Onshore Transmission Licences) Regulations 2025.
RAV	means regulatory asset value.
Rebased Baseline Network Risk Outputs	means a Baseline Network Risk Outputs that has been revised to give effect to a modified NARM Methodology as approved under paragraph 9.2.9 of Special Condition 9.2 (Network Asset Risk Metric methodology). If approved by the Authority, the Rebased Baseline Network Risk Outputs will supersede the Baseline Network Risk Outputs for the purposes of Special Condition 3.1 (Baseline Network Risk Outputs).
Rebasing	means the process of modifying the Baseline Network Risk Outputs as set out in Part C of Special Condition 3.1 (Baseline Network Risk Outputs).
Regulatory Reporting Pack	means the reporting process required by Standard Condition B15 (Regulatory Instructions and Guidance).
Recovered Revenue	has the meaning given to that term in Part B of Special Condition 2.1 (Revenue restriction).
Regulatory Financial Performance Reporting	means the reporting template and associated guidance of the same name that the licensee is required to submit to the Authority in accordance with the RIGs.
Regulatory Year	means a period of twelve months commencing on 1 April at 05:00 and ending on the following 1 April immediately before 05:00.
Related Services	means, for the purpose of Special Condition 3.16 (Advanced Procurement Mechanism), services provided in connection with the delivery, installation, or commissioning of the Equipment, where these services are necessary to ensure or support the proper functioning of the Equipment.

Related Undertaking	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Relevant Duties	means the obligations set out in Special Condition 9.14 (Restriction on use of certain information).
Relevant Other Competitive Businesses	means the business of: <ul style="list-style-type: none"> (a) participating in, or intending to participate in, a competitive tender exercise to determine a person to whom an offshore Transmission Licence is to be granted; (b) an Offshore Transmission Owner; (c) undertaking carbon capture and storage activities; or (d) owning or operating an entity participating in, or intending to participate in, activities which require a licence under section 6(1)(e) of the Electricity Act 1989.
Relevant Special Condition	means Special Condition 2.1 (Revenue restriction), together with such of the Special Conditions of this licence as are ancillary to the operation of the provisions of Special Condition 2.1 to which a Disapplication Request under Special Condition 9.7 (Disapplication of Relevant Special Conditions) relates.
Relevant Valuation Agency	means: <ul style="list-style-type: none"> (a) the Valuation Office Agency in England and Wales; and (b) the Scottish Assessors Association in Scotland.
Relevant Year	means a year beginning on 1 April of each calendar year and ending on 31 March of the following calendar year.
Renewable Energy Zone	has the meaning given to that term by Standard Condition A1 (Definitions and interpretation).
Re-opener	
Re-opener Guidance and Application Requirements Document	means the document of that name issued by the Authority in accordance with Part B of Special Condition 9.4 (Re-opener Guidance and Application Requirements Document).
Resilience Activity	means an activity undertaken by the licensee in response to changes to engineering standards, climate resilience, resilience standards, or emergency protocols and as result of changes in UK Government policy, including: <ul style="list-style-type: none"> (a) recommendations made by the ISOP and endorsed by UK Government; or

(b) actions arising from the National Risk Register that impact the licensee's network and relate to:

i. System Failures; or

ii. Natural and Environmental Hazards, and other risks requiring resilience measures

Return on Regulated Equity	means a measure of returns earned by equity investors that includes the 'base' allowed return on equity, operational out or underperformance and financing out or underperformance.
RIGs	means the document published by the Authority in accordance with Standard Condition B15 (Regulatory Instructions and Guidance).
RIIO-2 NIA	means the arrangements established by Special Condition 5.2 (RIIO-2 Network Innovation Allowance) of this licence as in force on 31 March 2026.
RIIO-2 NIA Governance Document	means the document issued by the Authority in accordance with Part B of Special Condition 5.2 (RIIO-2 Network Innovation Allowance) as in force on 31 March 2026.
RIIO-3 Final Determinations	means the documents published by the Authority on 4 December 2025 setting out the Authority's decisions in relation to the Price Control Period.
RIIO-3 NIA Governance Document	means the document issued by the Authority in accordance with Part B of Special Condition 5.2 (RIIO-3 Network Innovation Allowance).
RIIO-3 NIA Projects	means those projects undertaken by the licensee that appear to the Authority to satisfy such requirements of the RIIO-3 NIA Governance Document as are necessary to enable the projects to be funded under the provisions of Special Condition 5.2 (RIIO-3 Network Innovation Allowance).
RIIO-ET1	means the price control that applied to the licensee for the period of eight years beginning on 1 April 2013.
RIIO-ET2	means the price control that applies to the licensee for the period of five years beginning on 1 April 2021.
RIIO-ET3	means the price control that applies to the licensee for the period of five years beginning on 1 April 2026.
RPEs	means Real Price Effects as defined in the ET3 Price Control Financial Handbook.
Second Transitional	means the ISOP's plan for a coordinated onshore and offshore network design 'Beyond 2030' published in March 2024.

Centralised
Strategic Network
Plan (tCSNP2)

Second
Transitional
Centralised
Strategic Network
Plan Refresh

means the ISOP's plan for a coordinated onshore and offshore network design expected to be published in 2026.

Security Period

means a period commencing on the date on which any direction issued by the Secretary of State under section 34(4) of the Act enters effect and terminating on the date (being not earlier than the date such direction, as varied, is revoked or expires) as the Authority, after consultation with such persons (including, without limitation, licence holders liable to be principally affected) as it shall consider appropriate, may with the consent of the Secretary of State by notice to all licence holders determine.

Senior Accounting
Officer

has the meaning given to that term in Schedule 46 to the Finance Act 2009, as amended from time to time.

Senior Accounting
Officer Certificate
(SAO2)

means the certificate provided to H.M. Revenue and Customs by the Senior Accounting Officer of the Licensee in accordance with Schedule 46 to the Finance Act 2009. This document may be redacted to remove details of entities other than the Licensee.

Shared Drivers

means related reinforcement works on existing or new substations, overhead lines or cables, which include significant load and non-load related elements, or other external interfaces.

Shared Services

means shared corporate services as specified in the Compliance Statement.

SIF

means the strategic innovation fund established by Special Condition 9.19 (The strategic innovation fund).

SIF Directly
Attributable Costs

means costs relating to the maintenance and management of intellectual property generated through Eligible SIF Projects undertaken by the licensee that have not been otherwise remunerated through Network Charges, Directly Remunerated Services or the SIF Funding Mechanism.

SIF Disallowed
Expenditure

means any revenue received by the licensee from the ISOP under the SIF Funding Mechanism that the Authority determines has not been spent in accordance with the applicable provisions of the SIF Governance Document or the terms of the relevant SIF Project Direction

SIF Funding	means the proportion (if any) of the total amount of funding raised by the ISOP in accordance with the SIF Funding Mechanism that the Authority determines is to be allocated to the licensee in respect of its Eligible SIF Projects, as adjusted by the amount of any SIF Funding Return.
SIF Funding Mechanism	means the mechanism by which the licensee receives the amount of authorised SIF Funding in any Relevant Year from the ISOP, less any SIF Funding Return.
SIF Funding Return	means the total amount, in respect of the licensee, of any amounts arising under the SIF Funding Return Mechanism.
SIF Funding Return Mechanism	means the mechanism which provides for payments to be made by the licensee to the ISOP, as may be relevant in each of the following cases to such extent (if any) as may be relevant, of: <ul style="list-style-type: none"> a) SIF Halted Project Revenues; b) SIF Disallowed Expenditure; c) SIF Returned Royalty Income; and d) SIF Returned Project Revenues.
SIF Governance Document	means the document issued by the Authority under Part C of Special Condition 9.19 (The strategic innovation fund).
SIF Halted Project Revenues	means any revenues received by the licensee from the ISOP under the SIF Funding Mechanism in respect of an Eligible SIF Project which have not yet been spent, or otherwise committed, at the time that the Authority requires that project to be halted in accordance with the applicable provisions of the SIF Governance Document or the terms of the relevant SIF Project Direction.
SIF Project Direction	means a direction issued by the Authority pursuant to the SIF Governance Document setting out the terms to be followed in relation to an Eligible SIF Project as a condition of its funding under the SIF Funding Mechanism.
SIF Returned Project Revenues	means: <ul style="list-style-type: none"> (a) revenues received by the licensee from the ISOP under the SIF Funding Mechanism in respect of an Eligible SIF Project that the Authority determines have not been spent, and where that project has been carried out in accordance with the applicable provisions of the SIF Governance Document and/or the terms of the relevant SIF Project Direction; or

	(b) revenues earned from Eligible SIF Projects by the licensee other than Returned Royalty Income, that the Authority determines are payable to customers.
SIF Returned Royalty Income	means revenue earned from intellectual property generated through Eligible SIF Projects undertaken by the licensee, less SIF Directly Attributable Costs, and that is payable to customers under the SIF Funding Mechanism, as calculated in accordance with the provisions of the SIF Governance Document.
Single Appointed Director	means a member of the managerial board for the licensee, for the purpose of ensuring the performance of, and overseeing the duties and tasks of, the Compliance Officer and the licensee's compliance with the Specified Duties.
Single-year Monetised Risk	means the Monetised Risk measured over a given one-year time period.
Site Separation	means works to remove essential domestic infrastructure and, where applicable, backup power supplies from power stations which are closing or due to close in the ET3 period.
Small Van	means a van with a gross vehicle weight of no more than 2,100kg.
SO-TO Optimisation Governance Document	means the document issued by the Authority under Part B of Special Condition 4.6 (SO-TO optimisation output delivery incentive).
SO-TO Optimisation Solutions	means solutions, accepted by the ISOP in line with the STCP11-4 provision where the service has been identified as having a positive impact in assisting the ISOP in minimising costs on the GB Transmission Network.
Specified Duties	means the obligations pursuant to Special Condition 9.18 (Business separation requirements and compliance obligations) including Standard Condition B5 (Prohibition of Cross-subsidies), Standard Condition B6 (Restriction on Activity and Financial Ring Fencing) and Special Condition 9.17 (Prohibited Activities and Conduct of the Transmission Business).
Stage One Commissioning	means a process the licensee follows to confirm that all asset installation activities within its control are completed, and a part one completion acceptance certificate is issued to the ISOP, as outlined under procedure STCP 19-4 Commissioning and Decommissioning.

Standard Operational Conditions	means operations within the asset's specification.
Statement of Transmission Owner Charges	means a statement which the licensee must have in place by virtue of Special Condition 9.13 (Basis of Transmission Owner Charges).
STC	has the meaning given to that term by Standard Condition A1 (Definitions and interpretation).
STCP 11-4 Enhanced Service Provision	means the procedure of that name that is published on the ISOP's website https://www.neso.energy/
STCP 19-4 Commissioning and Decommissioning	means the procedure of that name that is published on the ISOP's website https://www.neso.energy/ .
Supply Chain Constraint	means a disruption or shortage of capacity within the supply chain that materially affects the ability of the licensee to secure contracts for the delivery of necessary materials and services within planned project delivery timeframes.
System Failures	means failure, or potential failures, as described in the National Risk Register, including failure of the National Electricity Transmission System (NETS), regional electricity network failure, failure of the NTS, failure of gas supply infrastructure, simultaneous loss of fixed and mobile communications, loss of positioning, navigation and timing services.
tCO ₂ e	means tonnes of carbon dioxide equivalent emissions.
Tax Reconciliation	means the reconciliation between the licensee's Calculated Tax Allowance and its Actual Corporation Tax Liability as reported to the Authority in tab R8a of the Regulatory Financial Performance Reporting RIGS template.
Tax Strategy	has the meaning given to that term in Schedule 19 to the Finance Act 2016, as amended from time to time. This may be the Tax Strategy of the wider UK corporate group, of which the licensee is a member.
Tender Support Activities	means any activity undertaken by the licensee under or pursuant to Special Condition 9.21 (Tender Support Activities in onshore electricity transmission).
TO Construction Agreement	has the meaning given to that term in the STC.

Total NIA Expenditure	means expenditure that satisfies the requirements of the RIIO-3 NIA Governance Document and is partly recovered by the licensee under Part A of Special Condition 5.2 (RIIO-3 Network Innovation Allowance).
Totex Allowance	means the sum of values under the headings “Variant allowances” and “Non-variant allowances” in the "LicenseeSelect” sheet of the ET3 Price Control Financial Model.
Totex Incentive Mechanism	means the mechanism within the ET3 Price Control Financial Model which provides for the licensee to bear a specified share of any overspend, or retain a specified share of any underspend, represented in either case by a difference between: <p>(a) the licensee’s Totex Allowance; and</p> <p>(b) the licensee’s Actual Totex.</p>
Totex Incentive Mechanism Rate	has the value set out in the TIM tab of the ET3 Price Control Financial Model.
TP Regulatory Years	means a period of twelve months commencing on 1 April at 05:00 and ending on the following 1 April immediately before 05:00. The first such Regulatory Year (t=1) commences on 1 April 2026 at 05:00 hours.
Type Fault	means a defect or failure mode that is common across a specific asset type, model, or batch, and which may require co-ordinated intervention across multiple assets to mitigate any potential harm or damage arising as a result of a defect. This does not include assets which are within warranty.
Towers	means steel structures used to support power carrying conductors and insulators at a distance.
Tower Steelwork	means the steel members that make up lattice overhead line Towers.
Transmission Area	means the area that comprises: <p>(a) England and Wales;</p> <p>(b) the subsea corridor within the territorial sea adjacent to Great Britain or within any Renewable Energy Zone that the part of the Western HVDC Link owned by the licensee passes through;</p> <p>(c) the subsea corridor within the territorial sea adjacent to Great Britain or within any Renewable Energy Zone that the part of the Eastern 1 HVDC Link owned by the licensee passes through; and,</p>

	(d) the subsea corridor within the territorial sea adjacent to Great Britain or within any Renewable Energy Zone that the part of the Eastern 2 HVDC Link owned by the licensee passes through.
Transmission Business	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Transmission Connection Assets	means those assets solely required to connect an individual User to the National Electricity Transmission System, which are not and would not normally be used by any other connected party.
Transmission Connection Infrastructure	means any asset that is potentially shareable used in the connection of a User to the Transmission System.
Transmission Constraint	<p>means any limit on the ability of the National Electricity Transmission System, or any part of it, to transmit the power supplied onto the National Electricity Transmission System to the location where the demand for that power is situated, such limit arising as a result of any one or more of:</p> <p>(a) the need not to exceed the thermal rating of any asset forming part of the National Electricity Transmission System;</p> <p>(b) the need to maintain voltages on the National Electricity Transmission System; and</p> <p>(c) the need to maintain the transient and dynamic stability of electricity plant, equipment and systems directly or indirectly connected to the National Electricity Transmission System.</p>
Transmission Constraint Costs	means those costs resulting from the licensee's management of Transmission Constraints.
Transmission Entry Capacity	Has the meaning given to that term in the CUSC.
Transmission Licence	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Transmission Licensee	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Transmission Network Services	has the meaning given to that term in Condition A1 (Definitions) of the Electricity System Operator Licence.
Transmission Owner	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Transmission Owner Activity	has the meaning given to that term in Standard Condition B1 (Regulatory Accounts).

Transmission System	has the meaning given to that term by section 4(4) of the Act.
Tyne Crossing Project	means the project to replace the overhead line part of the Transmission System which crosses the River Tyne.
Ultimate Controller	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Unfair Commercial Advantage	means any such advantage from a preferential or discriminatory arrangement, and for the licensee is in connection with a business other than its Transmission Business.
Use It Or Lose It Adjustment	<p>means an adjustment to allowances where they have not been spent, or have not been spent in a way that is efficient to:</p> <p>(a) improving cyber resilience in relation to IT or OT, including risk reduction or improved status of the licensee's network and information systems with respect to CAF Outcomes and NIS Regulation 10 (1), (2), (3), and (4) addressing the licensee's stated needs to maintain or improve its cyber resilience with respect to the relevant NCSC CAF Contributing Outcomes, in relation to Special Condition 3.2 (Cyber resilience Price Control Deliverable, cyber resilience Re-opener, and cyber resilience use it or lose it); (use it or lose it (CYUt));</p> <p>(b) the licensee's stated aims of the allowance provided by Special Condition 5.6 (Carbon Compensation use it or lose it allowance) as set out in the licensee's Environmental Action Plan which will not exceed the allowance provided;</p> <p>(c) delivering the outputs associated with ASTI Pre-Construction Funding in relation to Special Condition 3.20 (ASTI Pre-construction Funding Re-opener, Price Control Deliverable and Use It Or Lose It Adjustment);</p> <p>(d) delivering load investment projects in relation to Special Condition 3.17 (Load use it or lose it allowance); or</p> <p>(e) incurring expenditure in relation to Special Condition 3.13 (Closely Associated Indirects use it or lose it allowance, CAIt).</p>
User	means any person (other than the ISOP or a Transmission Owner) who is authorised to generate, participate in the transmission of, distribute or supply electricity or who is included in a class of person or persons which has been granted an exemption from section 6 of the Act and any person engaged in the sale or purchase of electricity or who otherwise purchases or acquires for purchase electricity.

User Progression Milestone	has the meaning given to that term in the CUSC. For a distribution project both the distribution network operator's CUSC User Progression Milestones and the User's Progression Milestones, as agreed with the distribution network operator, will apply.
Western HVDC Link	<p>means the high voltage electric lines and electrical plant which comprise the following components:</p> <p>(a) a high voltage direct current cable, the sole purpose of which is to transmit electricity between the Transmission Area of SP Transmission Limited and that part of the licensee's Transmission Area via an onshore and subsea corridor the route of which extends, in part, outside of Great Britain, the territorial sea adjacent to Great Britain and any Renewable Energy Zone;</p> <p>(b) convertor stations at either end of the high voltage direct current cable described in paragraph (a) above to facilitate the conversion of power from direct current in the high voltage direct current cable to alternating current in the National Electricity Transmission System; and</p> <p>(c) cables to connect each converter station described in paragraph (b) above to an appropriate substation in each of the licensee's Transmission Area and SP Transmission Limited's Transmission Area as defined in Special Condition 1.1 of their licence, respectively and that does not transmit electricity for the purposes of offshore transmission as defined in the Act.</p>
Working Day	means any day other than a Saturday, a Sunday, Christmas Day, Good Friday or a day which is a bank holiday under the Banking and Financial Dealings Act 1971 in any part of the United Kingdom.
Zero Emission Vehicle (ZEV)	means a vehicle that emits no carbon dioxide or other targeted greenhouse gases at the exhaust.

Special Condition 1.2 Variations to the standard conditions for the purposes of this licence

- 1.2.1 The purpose of this licence condition is to vary the standard conditions in their application for the purposes of this licence.

Part A: Modifications

- 1.2.2 For the purposes of this licence Standard Condition A1 (Definitions and interpretation) should be read as follows:

(a) by the addition in the definition of “distribution system” immediately after “any electrical plant” insert “remote transmission assets (owned by the licensee within England and Wales) operated by such distributor and”;

(b) not used;

(c) in the definition “national electricity transmission system” insert at the end, immediately preceding the full stop, “but shall not include any remote transmission assets”;

(d) after the definition of “relinquishment of operational control” insert:

"remote transmission assets"	means any electric lines, electrical plant or meters in England and Wales owned by the licensee which: are embedded in a distribution system of an authorised electricity operator within the transmission area of the licensee and are not directly connected by lines or plant owned by the licensee to a sub-station owned by the licensee and are, by agreement between the licensee and such authorised electricity operator, operated under the direction and control of such authorised electricity operator."
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Chapter 2: Revenue Restriction

Special Condition 2.1 Revenue restriction

Introduction

- 2.1.1 The purpose of this condition is to place obligations on the licensee in relation to the setting of Network Charges.
- 2.1.2 This condition also establishes the definition of Recovered Revenue (RR_t) and provides the formula for the calculation of Allowed Revenue (AR_t).

Part A: Licensee's obligation when notifying Allowed Revenue to the ISOP

- 2.1.3 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 condition.
- 2.1.4 The licensee must, when calculating the value of Allowed Revenue, use the latest versions of the ET3 Price Control Financial Model and of the ET3 Price Control Financial Handbook published by the Authority under Special Condition 8.1 (Governance of the ET3 Price Control Financial Instruments).
- 2.1.5 The licensee must publish on its website, a copy of the ET3 Price Control Financial Model containing the value of Allowed Revenue for year $t+1$ it used when notifying the ISOP under the STC. This must be done by 31 January in the year t .
- 2.1.6 The licensee must ensure that each copy of the ET3 Price Control Financial Model remains on its website for at least five years.

Part B: Recovered Revenue term (RR_t)

- 2.1.7 Recovered Revenue (RR_t) means the revenue received by the licensee from the provision of Transmission Network Services (including to any separate business, other than the Transmission Business) in respect of a Regulatory Year, after deduction of value added tax (if any) and any other taxes charged directly by reference to the amounts so received.

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

- 2.1.8 The value of AR_t is derived in accordance with the following formula:

$$AR_t = R_t \frac{PI_t}{PI_{2023/24}} + K_t + BRFP_t + LAR_t$$

where:

- R_t means Calculated Revenue and is derived in accordance with Part D of this condition;
- PI_t means the price index term and is derived in accordance with Part E of this condition;

- $PI_{2023/24}$ means the price index term for the Regulatory Year commencing on 1 April 2023 and is derived in accordance with Part E of this condition;
- K_t means the K correction term and is derived in accordance with Part F of this condition;
- $BRFP_t$ means the base revenue forecasting penalty and is derived in accordance with Part G of this condition; and
- LAR_t means the legacy adjustments term and is derived in accordance with Special Condition 7.1 (Legacy adjustments to revenue).

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

2.1.9 The value of R_t is derived in accordance with the following formula:

$$R_t = FM_t + PT_t + DPN_t + RTN_t + RTNA_t + EIC_t + DRS_t + ODI_t + BPI_t + ORA_t + TAX_t + TAXA_t + RPA_t$$

where:

- FM_t means fast money and has the value set out in the “Revenue” sheet” of the ET3 Price Control Financial Model;
- PT_t means the pass-through term and is derived in accordance with Special Condition 6.1 (Pass-through items);
- DPN_t means RAV depreciation and has the value set out in the “Revenue” sheet” of the ET3 Price Control Financial Model;
- RTN_t means return and has the value set out in the “Revenue” sheet” of the ET3 Price Control Financial Model;
- $RTNA_t$ means return adjustment and is derived in accordance with Special Condition 2.3 (Return Adjustment);
- EIC_t means the allowance for equity issuance costs and has the value set out in the “Revenue” sheet” of the ET3 Price Control Financial Model;
- DRS_t means Directly Remunerated Services and has the value set out in the “Revenue” sheet” of the ET3 Price Control Financial Model;
- ODI_t is derived in accordance with Special Condition 4.1 (Total output delivery incentive performance);
- BPI_t means the business plan incentive term and has the value in the “Revenue” sheet” of the ET3 Price Control Financial Model.
- ORA_t means total other revenue allowances and is derived in accordance with Special Condition 5.1 (Total other revenue allowances);
- TAX_t means the tax allowance and has the value set out in the “Revenue” sheet” of the ET3 Price Control Financial Model; and
- $TAXA_t$ means the tax allowance adjustment term and has the value zero, unless the Authority directs otherwise under Special Condition 2.2 (Tax allowance adjustment).

RPA_t means the revenue profiling adjustment, has the value set out in the “Revenue” sheet of the ET3 Price Control Financial Model and may be adjusted by the licensee with agreement from the Authority.

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

2.1.10 The value of PI_t is the arithmetic average of each of the twelve monthly values of PI_m from 1 April to 31 March within Regulatory Year t derived in accordance with the following formula:

$$PI_m = PI_{m-1} \cdot \frac{CPIH_m}{CPIH_{m-1}}$$

where:

m refers to a year and month;

$CPIH_m$ means the Consumer Prices Index Including Owner Occupiers' Housing Costs for the year and month m .

Part F: Correction term (K_t)

2.1.11 For Regulatory Years commencing prior to or on 1 April 2026, the value of K_t is zero.

2.1.12 For Regulatory Years commencing after 1 April 2026, the value of K_t is derived in accordance with the following formula:

$$K_t = (AR_{t-1} - RR_{t-1})(1 + nomWACC_{t-1})$$

where

AR_t For Regulatory Years commencing on or after 1 April 2026 AR_t is derived in accordance with Part C of this condition;

RR_t means Recovered Revenue and is derived in accordance with Part B of this condition; and

$nomWACC_t$ means the nominal weighted average cost of capital and has the value set out in the “AllowedRevenue” sheet of the ET3 Price Control Financial Model.

2.1.13 The value of K_t is in nominal prices.

Part G: Base Revenue forecasting penalty ($BRFP_t$)

2.1.14 For Regulatory Years commencing prior to 1 April 2028, the value of $BRFP_t$ is zero.

2.1.15 For Regulatory Years commencing on or after 1 April 2028, the value of $BRFP_t$ is derived in accordance with the following formula:

$$BRFP_t = (BR_{t-1} - BR_{t-1}^*) \times \frac{PI_{t-1}}{PI_{2023/24}} \cdot BRFPA_{t-1} \times \begin{cases} 1.15\% & \text{if } BR_{t-1}^*/BR_{t-1} \geq 1.08 \\ -1.15\% & \text{if } BR_{t-1}^*/BR_{t-1} \leq 0.92 \\ 0, & \text{otherwise} \end{cases}$$

where:

- BR_t means the sum of the terms FM_t, DPN_t, RTN_t and PT_t set out in Part D;
- BR_t^* means the sum of the terms FM_t, DPN_t, RTN_t, PT_t set out in Part D, as at the time they were published for Regulatory Year t by the licensee in accordance with paragraph 2.1.5; and
- $BRFPA_t$ means the penalty adjustment and has the value of 1, unless the Authority directs otherwise in accordance with paragraph 2.1.16.

- 2.1.16 The Authority will, following discussion with the licensee, direct a value for BRFP_t which is not less than zero and not more than 1, if it is satisfied that differences between the values of BR_t and BR_t^* were for reasons outside the reasonable control of the licensee.
- 2.1.17 Where the Authority is satisfied that differences between the values of BR_t and BR_t^* were for reasons outside the reasonable control of the licensee, the Authority may issue a direction under paragraph 2.1.16 before the licensee has finalised the calculation of Allowed Revenue for Regulatory Year t+1. For the avoidance of doubt, differences between the values of BR_t and BR_t^* that are due to the effect of inflation will be disregarded for the purposes of the penalty.
- 2.1.18 Before making a direction under paragraph 2.1.16 the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction; and
 - (c) a period during which representations may be made on the proposed direction, which will be up to 28 days unless the Authority determines that a longer period is appropriate.
- 2.1.19 The value of BRFP_t is in nominal prices.

Special Condition 2.2 Tax allowance adjustment (TAXA_t)

Introduction

- 2.2.1 The purpose of this condition is to establish a process for setting the value of the term TAXA_t (the tax allowance adjustment term), which contributes to Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 2.2.2 The effect is to adjust Calculated Revenue, if required, and in accordance with Chapter 6 of the ET3 Price Control Financial Handbook.
- 2.2.3 It also explains the process the Authority will follow when directing any change in the value of TAXA_t as a result of the tax review.

Part A: Undertaking a tax review

- 2.2.4 The Authority may undertake a tax review in accordance with Chapter 6 of the ET3 Price Control Financial Handbook.
- 2.2.5 Where the Authority notifies the licensee that it has decided to undertake a tax review and gives the reasons for that decision, the Authority may procure the services of an Appropriately Qualified Independent Examiner to carry out the formal tax review in accordance with Chapter 6 of the ET3 Price Control Financial Handbook and to provide its written findings to the Authority within a reasonable time frame. Where the Authority has procured the services of an Appropriately Qualified Independent Examiner, the licensee must:
- (a) provide the Authority and the Appropriately Qualified Independent Examiner with access to any relevant information that they may require to examine the differences between the licensee's Calculated Tax Allowance and its Actual Corporation Tax Liability; and
 - (b) carry out any reasonable steps specified by the Authority or the Appropriately Qualified Independent Examiner for the purposes of the tax review.
- 2.2.6 Following completion of the review the Authority may direct an adjustment to the value of the $TAXA_t$ term if required, in accordance with Chapter 6 of the ET3 Price Control Financial Handbook specifying the Regulatory Years to which that adjustment relates.

Part B: The process for making a direction

- 2.2.7 Before making a direction under paragraph 2.2.6, the Authority must send to the licensee and publish on the Authority's website:
- (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction; and
 - (c) a statement setting out the period during which representations on the proposed direction may be made, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

Special Condition 2.3 Return Adjustment ($RTNA_t$)

Introduction

- 2.3.1 The purpose of this condition is to calculate the term $RTNA_t$ (the return adjustment term), which feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 2.3.2 The effect of this condition is to adjust Calculated Revenue following a review of Operational Performance after the Price Control Period.
- 2.3.3 It also explains the process the Authority will follow when directing any change as a result of the review.

Part A: Undertaking a review of Operational Performance

- 2.3.4 After the Price Control Period, the Authority will undertake a review of Operational Performance.
- 2.3.5 Following its review, the Authority will direct any adjustment to the value of the term $RTNA_t$ in accordance with the method set out in Parts B and C and any further applicable explanation or elaboration within the ET3 Price Control Financial Handbook.

Part B: Formulae for calculating the return adjustment term ($RTNA_t$)

- 2.3.6 The value of $RTNA_t$ is derived in accordance with the following formula:

$$RTNA_t = RTNR \cdot \frac{RAVL_t \cdot (1 - G)}{\sum_{t=2026/27}^{2030/31} RAVL_t \cdot (1 - G)}$$

where:

- $RTNR$ means the return adjustment for the licensee over the Price Control Period, derived in accordance with paragraphs 2.3.7 and 2.3.8;
- $RAVL_t$ means the RAV value for the licensee and has the value derived in accordance with the ET3 Price Control Financial Model; and
- G means notional gearing, and has the value of 55%.

- 2.3.7 Where Operational Performance is equal to or greater than zero, the value of $RTNR$ is derived in accordance with the following formula:

$$RTNR = \sum_{t=2026/27}^{2030/31} RAVL_t \cdot (1 - G) \cdot$$

$$(-MAX(MIN(OPP, T2) - T1, 0) \cdot AR1 - MAX(OPP - T2, 0) \cdot AR2)$$

where:

- $RAVL_t$ means the RAV value for the licensee and has the value derived in accordance with the ET3 Price Control Financial Model;
- G means notional gearing, and has the value of 55%;
- OPP means the Operational Performance value for the licensee, in percentage terms, over the Price Control Period and has the value derived in accordance with the ET3 Price Control Financial Model;
- $T1$ means threshold 1, and has the value of 3%;
- $T2$ means threshold 2, and has the value of 4%;
- $AR1$ means adjustment rate 1, and has the value of 50%; and
- $AR2$ means adjustment rate 2, has the value of 90%.

- 2.3.8 When Operational Performance is less than zero, the value of RTNR is derived in accordance with the following formula:

$$TNR = \sum_{t=2026/27}^{2030/31} RAVL_t \cdot (1 - G) \cdot$$

$$(MAX (MIN(-OPP, T2) - T1, 0) \cdot AR1 + MAX(-OPP - T2, 0) \cdot AR2)$$

where each term has the meaning given in paragraph 2.3.7.

Part C: The process for making a direction

- 2.3.9 Before making a direction under paragraph 2.3.5, the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction; and
 - (c) a period during which representations on the proposed direction may be made, which will be up to 28 days unless the Authority determines that a longer period is appropriate.
- 2.3.10 A direction under paragraph 2.3.5 will set out the value of the RTNA_t term and the Regulatory Years to which that adjustment relates.

Chapter 3: Totex Allowance adjustments

Special Condition 3.1 Not Used

Special Condition 3.2 Cyber resilience Price Control Deliverable, cyber resilience Re-opener, and cyber resilience use it or lose it (CY_t, CYRE_t, CYU_t)

Introduction

- 3.2.1 The purpose of this condition is to calculate the terms CY_t (the cyber resilience Price Control Deliverable term), CYRE_t (the cyber resilience Re-opener term) and CYU_t (the cyber resilience use it or lose it allowance). These contribute to the calculation of the Totex Allowance.
- 3.2.2 The effect of this condition is to:
- (a) specify in the Cyber Resilience Baseline Allowances Table (in Appendix 1) the cyber resilience baseline allowances;
 - (b) specify the outputs, delivery dates and associated allowances for the Price Control Deliverables in the Cyber Resilience PCD Table (in Appendix 2); in the instance of CY_t and CYRE_t.
 - (c) specify the associated allowances for the cyber resilience use it or lose it in the Cyber Resilience UIOLI Allowances Table (in Appendix 4);
 - (d) establish that the allowances use it or lose it have achieved the intended cyber resilience in terms of needs;
 - (e) establish a Re-opener mechanism for the licensee and the Authority to trigger amendments to the Cyber Resilience Re-opener Allowances Table (in Appendix 3) and the Cyber Resilience PCD Table, during the Price Control Period;
 - (f) provide for a Use It Or Lose It Adjustment; and
 - (g) provide for an assessment of the Price Control Deliverables.
- 3.2.3 This condition also sets out the process the Authority will follow when directing any changes under paragraphs 3.2.11, 3.2.12, 3.2.14 and 3.2.15.

Part A: Formulae for calculating the cyber resilience Price Control Deliverable term (CY_t), the cyber resilience Re-opener term (CYRE_t) and the cyber resilience use it or lose it allowance term (CYU_t)

- 3.2.4 The value of CY_t is derived in accordance with the following formula;

$$CY_t = CYA_t - CYRA_t$$

where:

- CYA_t has the value set out in the Cyber Resilience Allowances Table; and
- CYRA_t has the value zero unless otherwise directed by the Authority in accordance with paragraph 3.2.16.

3.2.5 The value of CYRE_t is derived in accordance with the following formula;

$$CYRE_t = CYO_t - CYRO_t$$

where:

CYO_t means the value set out in the Cyber Resilience Re-opener Allowances Table directed by the Authority as a result of the circumstances set out in paragraph 3.2.9; and

CYRO_t has the value zero unless otherwise directed by the Authority in accordance with paragraph 3.2.16.

3.2.6 The value of CYU_t is derived in accordance with the following formula;

$$CYU_t = CYAU_t - CYRAU_t$$

where:

CYAU_t has the value set out in the Cyber Resilience UIOLI Allowances Table; and

CYRAU_t has the value zero unless otherwise directed by the Authority in accordance with paragraph 3.2.17.

Part B: What is the licensee funded to deliver?

3.2.7 The Cyber Resilience PCD Table specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

3.2.8 The licensee must take all reasonable steps to deliver the outputs in accordance with, and by the delivery dates specified in, the Cyber Resilience PCD Table.

3.2.9 The Cyber Resilience UIOLI Allowances Table specifies the allowances for use it or lose it for cyber resilience projects the licensee is funded to deliver where the associated costs are uncertain.

Part C: Cyber Resilience Re-opener

3.2.10 This part establishes a Re-opener that may be used where there are:

- (a) new activities, including new technology, capable of improving cyber resilience, including risk reduction and improved status of the licensee's network and information systems with respect to NCSC CAF Contributing Outcomes;
- (b) changes to levels of risks or threats relating to cyber resilience, that take the licensee outside of its organisational risk appetite and which require the licensee to undertake significant new activities to address; or
- (c) changes to statutory or regulatory requirements or guidance to cyber resilience, or which require the licensee to undertake significant new activities to maintain compliance with the requirements;

3.2.11 The licensee may apply to the Authority for a direction amending allowances in the Cyber Resilience Re-opener Allowances Table and the Cyber Resilience PCD Table between 1st April 2028 and 8th April 2028, and during such other periods as the Authority may direct.

3.2.12 The Authority may direct changes under Part C at any time during the Price Control Period where it has become aware of circumstances set out in paragraph 3.2.10.

3.2.13 An application under paragraph 3.2.10 must be made in writing to the Authority and must:

- (a) give details of the circumstances referred to in paragraph 3.2.9 that the licensee considers exist;
- (b) set out any amendments or additions to the outputs, delivery dates or allowances set out in the Cyber Resilience PCD Table;
- (c) explain how any amendments or additions requested would improve cyber resilience, including risk reduction and improved status of the licensee's network and information systems with respect to NCSC CAF Contributing Outcomes, where appropriate;
- (d) explain the basis of the calculations for any amendments or additions requested to allowances;
- (e) explain why the proposed allowances are economically efficient; and
- (f) provide such detailed evidence to support (a) to (e) as is reasonable in the circumstances.

3.2.14 An application under paragraph 3.2.10 must:

- (a) relate to circumstances of the type referred to in paragraph 3.2.9 which could not have been reasonably provided for on the date the licensee submitted its Cyber Resilience Plan;
- (b) take account of any allowed expenditure, which can be avoided as a result of the change; and
- (c) be confined to costs incurred or expected to be incurred on or after 1 April 2026.

3.2.15 The Authority will only direct changes under this Part C where an application is made by the licensee under paragraph 3.2.10:

- (a) if a circumstance in paragraph 3.2.9 exists; and
- (b) the requirements in paragraphs 3.2.11 and 3.2.12 have been met.
- (c) at any time during the Price Control Period where it has become aware of circumstances set out in paragraph 3.2.9.

3.2.16 The Authority may direct changes to the Cyber Resilience Re-opener Allowances Table and the Cyber Resilience PCD Table at any time during the Price Control Period where it has become aware of the circumstances set out in paragraph 3.2.9.

3.2.17 A direction under this Part C:

- (a) may adjust allowances in the Cyber Resilience Re-opener Allowances Table and the Cyber Resilience PCD Table as a result of circumstances set out in paragraph 3.2.9;

- (b) may modify the text in Cyber Resilience Re-opener Allowances Table to amend the date of publication of the documents containing the Cyber Resilience Re-opener Allowances Table and the Cyber Resilience PCD Table;
- (c) will set out the value of the CYO_t ; and
- (d) must be confined to costs incurred or expected to be incurred on or after 1st April 2026.

Part D: Assessment of delivery under this condition ($CYRA_t$, $CYRO_t$ and $CYRAU_t$)

- 3.2.18 The Authority will, in accordance with the assessment principles set out Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for $CYRA_t$ or $CYRO_t$, where the licensee has not Fully Delivered an output in the Cyber Resilience PCD Table.
- 3.2.19 The Authority will consider directing a value for $CYRAU_t$ where it considers that a Use It Or Lose It Adjustment is appropriate.

Part E: Cyber resilience Price Control Deliverable reporting requirements

- 3.2.20 The licensee must send reports to the Authority, in a form approved by the Authority, that include:
 - (a) a summary of progress against key milestones contained in the licensee's Improvement Plan;
 - (b) a summary of developments against the outputs in the Cyber Resilience PCD Table;
 - (c) the licensee's assessment of the impact of the progress and developments referred to in sub-paragraphs (a) and (b) on improving cyber resilience, including risk reduction;
 - (d) a description of how the licensee has considered any relevant guidance provided by the Authority; and
 - (e) such detailed supporting evidence as is reasonable in the circumstances.
- 3.2.21 Unless the Authority otherwise directs, the licensee must send reports under paragraph 3.2.18 by no later than the dates, and in relation to the periods, set out in Appendix 5.

Part F: Cyber resilience use it or lose it reporting allowance requirements

- 3.2.22 The licensee must, by no later than the dates, and in relation to the periods set out in Appendix 5, provide a qualitative report explaining how expenditure funded from allowances for use it or lose it has contributed to activities intended to maintain or improve its cyber resilience.
- 3.2.23 The report under paragraph 3.2.20 must licensee shall provide to the Authority a qualitative report that:
 - (a) set out the relevant NCSC CAF Contributing Outcomes that the investment was intended to address;

- (b) provide a narrative summary of the intended needs and the actual needs addressed to maintain or improve the licensee's cyber resilience, including a high-level statement on needs that remain outstanding and the associated residual risks as understood by the licensee;
 - (c) set out any use it or lose it allowances that remain unspent; and
 - (d) include a confirmation from the licensee's NRO, or their nominated representative, that the information contained within the qualitative report represents the licensee's reasonable understanding of the cyber resilience outcomes achieved through the use it or lose it expenditure.
- 3.2.24 The qualitative report must describe, at a narrative level, the activities undertaken to meet the needs for which the use it or lose allowances were awarded, the factors considered when prioritising those needs and the licensee's assessment of the impact of the use it or lose it expenditure on its cyber resilience.
- 3.2.25 This qualitative assessment does not constitute a Price Control Deliverable and shall not be subject to the evaluative assessment principles set out in Special Condition 9.3.
- 3.2.26 The Authority may consider the reports provided under this Part for the purpose of monitoring and making any direction under paragraph 3.2.17.

Part G: What process will the Authority follow in making a direction?

- 3.2.27 Before making a direction under paragraph 3.2.13, 3.2.14 3.2.16 or 3.2.17, the Authority will send to the licensee:
- (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction; and
 - (c) a statement setting out the period during which representations may be made on the proposed direction, which will be up to 28 days unless the Authority determines that a longer period is appropriate.
- 3.2.28 A direction under paragraph 3.2.16 will set out:
- (a) the value of the $CYRA_t$ and $CYRO_t$ terms and the Regulatory Years to which those adjustments relate;
 - (b) the methodology and data that has been used to decide the delivery status and value of any adjustments to the $CYRA_t$ and $CYRO_t$ terms; and
 - (c) the delivery status of the output that has not been Fully Delivered.
- 3.2.29 A direction under paragraph 3.2.17 will set out:
- (a) the value of the $CYRAU_t$ term, and the Regulatory Years to which the adjustment relates, and
 - (b) the data that has been used to decide the value of any adjustments to the $CYRAU_t$ term.

Appendix 1

Title and publication date of document containing the Cyber Resilience Allowances Table

Title	Publication Date
RIIO-3 Final Determinations – NGET Cyber Resilience	4 th December 2025

Appendix 2

Title and publication date of document containing the Cyber Resilience PCD Table

Title	Publication Date
RIIO-3 Final Determinations – NGET Cyber Resilience	4 th December 2025

Appendix 3

Title and publication date of document containing the Cyber Resilience Re-opener Allowances Table

Title	Publication Date
RIIO-3 Re-opener Decision – NGET Cyber Resilience	N/A – Not yet published

Appendix 4

Title and publication date of document containing the Cyber Resilience UIOLI Allowances Table

Title	Publication Date
RIIO-3 Final Determinations – NGET Cyber Resilience	4 th December 2025

Appendix 5

Report submission dates and the associated periods to be reported on

Dates each year by which reports must be submitted to the Authority	Associated periods to be reported on
31 July 2027	1 April 2026 to 31 March 2027
31 July 2028	1 April 2027 to 31 March 2028
31 July 2029	1 April 2028 to 31 March 2029
31 July 2030	1 April 2029 to 31 March 2030

Special Condition 3.3 Resilience Re-opener physical security PCD and Re-opener ($RESRE_t$, $PSUP_t$ and $PSUPRE_t$)

3.3.1 The purpose of this condition is to calculate the terms $PSUP_t$ (physical security Price Control Deliverable term), $PSUPRE_t$ (physical security reopener term) and $RESRE_t$ (the Resilience Re-opener terms). These terms contribute to the calculation of the Totex Allowance.

3.3.2 The effect of this condition is to:

(a) in relation to the physical security Price Control Deliverable term and physical security Re-opener term:

- i. specify at Appendix 1 the physical security baseline allowances;
- ii. specify the outputs, delivery dates and associated allowances for the Physical Security Price Control Deliverable set out in Appendix 2;
- iii. establish a Re-opener mechanism for the licensee and the Authority to trigger amendments to the Physical Security PCD Table during the Price Control Period; and
- iv. provide for an assessment of the Price Control Deliverable; and

(b) in relation to the Resilience Re-opener term, establish a Re-opener that the Authority may trigger during the Price Control Period

3.3.3 This condition also sets out the process the Authority will follow when making any changes to Appendix 2 and 3 to this condition.

Part A: Formulae for calculating the physical security Price Control Deliverable term ($PSUP_t$), and the physical security and Resilience Activity Re-opener terms ($PSUPRE_t$ and $RESRE_t$)

3.3.4 The value of $PSUP_t$ is derived in accordance with the following formula:

$$PSUP_t = PSUPA_t - PSUPRA_t$$

where:

$PSUPA_t$ means the baseline allowances in the Physical Security Baseline Allowances Table in Appendix 1; and

$PSUPRA_t$ has the value zero unless otherwise directed by the Authority in accordance with Part E.

3.3.5 The value of $PSUPRE_t$ is derived in accordance with the following formula:

$$PSUPRE_t = PSUPO_t - PSUPRO_t$$

where:

$PSUPO_t$ means the sum of allowances directed by the Authority as set out in Parts C and D; and

$PSUPRO_t$ has the value zero unless otherwise directed by the Authority in accordance with Part E.

3.3.6 The value of $RESRE_t$ is derived in accordance with the following formula:

$$RESRE_t = RESO_t - RESRO_t$$

where:

$RESO_t$ the sum of allowance determined by Authority in accordance with Part G; and

$RESRO_t$ has the value zero unless otherwise directed by the Authority in accordance with Part E.

Part B: What is the licensee funded to deliver?

3.3.7 Appendices 2 and 3 specify the Price Control Deliverables that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Licencee triggered physical security Re-opener

3.3.8 The licensee may apply to the Authority for a direction amending the physical security PCD Table, in Appendix 2, where the scope of work the licensee is required to carry out under the Physical Security Upgrade Programme has changed.

3.3.9 The licensee may only apply to the Authority under paragraph 3.3.8 between:

- (a) 1 April 2028 and 8 April 2028; and
- (b) 1 April 2030 and 8 April 2030; or
- (c) during such other periods as the Authority may direct.

3.3.10 An application under paragraph 3.3.8 must be made in writing to the Authority and set out:

- (a) the changes to the scope of work the licensee is required to carry out under the physical security programme to be designated by UK Government to which the application relates;
- (b) the change in Critical National Infrastructure classification for each site to which the application relates;
- (c) any amendments requested to the outputs, delivery dates or allowances in the physical security PCD Table;
- (d) an explanation of the basis of the calculations for any amendments requested to allowances; and
- (e) such detailed supporting evidence as is reasonable in the circumstances.

3.3.11 An application under paragraph 3.3.8 must:

- (a) only relate to changes to the scope of work which take effect on or after 28 June 2024 and which the licensee is required to carry out under the Physical Security Upgrade Programme;
- (b) take account of any allowed expenditure, which can be avoided as a result of the change; and
- (c) be confined to costs incurred or expected to be incurred on or after 1 April 2026.

Part D: Authority triggered physical security Re-opener

3.3.12 The Authority may amend the outputs, delivery dates or allowances in Appendix 2 by direction without an application being made under paragraph 3.3.7 where there have been changes to the scope of works the licensee is required to carry out under the Physical Security Upgrade Programme that:

- (a) have been mandated on or after 28 June 2024; and
- (b) relate to costs incurred or expected to be incurred on or after 1 April 2026.

Part E: Assessment of the Price Control Deliverables (PSUPRA_t, PSUPRO_t and RESRO_t)

3.3.13 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), and where the licensee has not Fully Delivered an output as specified in Appendix 2 or 3, direct a value for PSUPRA_t, PSUPRO_t, and RESRO_t.

Part F: What process will the Authority follow in making a direction?

3.3.14 Before making a direction under paragraph 3.3.8, 3.3.12 or 3.3.13, the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will be to 28 days unless the Authority determines that a longer period is appropriate a period during which representations may be made on the proposed direction, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

3.3.15 A direction under paragraph 3.3.8 or 3.3.12 will:

- (a) set out in full the physical security PCD Table in Appendix 2 as amended; and
- (b) replace the text in Appendix 2 with the title and publication date of the direction.

3.3.16 A direction under paragraph 3.3.13 will set out:

- (a) the delivery status of the output that has not been Fully Delivered;
- (b) the value of the PSUPRA_t and PSUPRO_t terms and the Regulatory Years to which those adjustments relate; and
- (c) the methodology and data that has been used to decide the delivery status and value of any adjustments to the PSUPRA_t and PSUPRO_t terms.

Part G: Resilience Re-opener term and process for modifications and reporting requirements

- 3.3.17 This Part establishes the Resilience Activity term cost Re-opener, which is set out in Appendix 3.
- 3.3.18 Where the Authority considers that amendments are necessary to fund a Resilience Activity that was not anticipated at the start of the Price Control Period, it may, at any time during the Price Control Period, make a modification to the allowances set out in Appendix 3.
- 3.3.19 The Authority may only make a modification under this Part where it is satisfied that:
- (a) the Resilience Activity is required;
 - (b) the proposed allowances are efficient and justified; and
 - (c) the costs relate to expenditure incurred or expected to be incurred on or after 1 April 2026.
- 3.3.20 When making a modification under this Part, the Authority may require the licensee to provide such information as it may reasonably require.
- 3.3.21 The Authority will only make a modification under this Part where the aggregated costs of the Resilience Activities meet or exceed the Materiality Threshold.
- 3.3.22 For the purposes of paragraph 3.3.21, the Authority may group multiple Resilience Activities to meet the Materiality Threshold.
- 3.3.23 Any modification under this Part will be made under section 11A of the Act.
- 3.3.24 The licensee must report to the Authority on delivery of the outputs specified in Appendix 3 in accordance with Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements).

Appendix 1

Title and publication date of document containing the Physical Security Baseline Allowances Table

Title	Publication Date
NGET Redacted Information Document	Date most recently shared with the licensee by the Authority

Appendix 2

Title and publication date of document containing the Physical Security PCD Table

Title	Publication Date
NGET Redacted Information Document	Date most recently shared with the licensee by the Authority

Appendix 3

Resilience Activities: Outputs, Delivery Dates, and Allowances

Site Reference	Output	Delivery Date	Allowance (£m)
N/A	N/A	N/A	0.00

Special Condition 3.4 Not Used

Special Condition 3.5 Not Used

Special Condition 3.6 Decarbonisation and environmental policy Re-opener and Price Control Deliverable (DEP_t)

Introduction

- 3.6.1 The purpose of this condition is to calculate the term DEP_t (the decarbonisation and environmental policy Re-opener term). This contributes to the calculation of the Totex Allowance.
- 3.6.2 The effect of this condition is to:
- (a) specify any Price Control Deliverable relating to a Net Zero Development or an Environmental Development;
 - (b) establish a Re-opener for the Authority to trigger modifications to any such Price Control Deliverable and the outputs, delivery dates and allowances established by the other special conditions of this licence; and
 - (c) provide for an assessment of the Price Control Deliverable specified in this condition.
- 3.6.3 This condition also sets out the process the Authority will follow when making any changes under this condition.

Part A: Formula for calculating the decarbonisation and environmental policy Re-opener term (DEP_t)

- 3.6.4 The value of DEP_t is derived in accordance with the following formula:

$$DEP_t = DEPRO_t - DEPROR_t$$

where:

DEPRO_t means the sum of allowances in Appendix 1; and

DEPROR_t means the assessment of the Price Control Deliverable and has the value zero unless otherwise directed by the Authority in accordance with Part D. A downwards adjustment should be represented as a positive DEPROR_t value, while a positive adjustment should be represented as a negative value.

Part B: What the licensee is funded to deliver

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

Part C: Decarbonisation and environmental policy Re-opener

3.6.6 This Re-opener may be used where:

- (a) a Net Zero Development or an Environmental Development has occurred or is expected to occur;
- (b) the Net Zero Development or an Environmental Development has caused or is expected to cause the cost of Licensed Activity to increase or decrease during the Price Control Period;
- (c) the effect of the Net Zero Development or an Environmental Development on the cost of Licensed Activity is not otherwise provided for in this licence;
- (d) the effect of the Net Zero Development or an Environmental Development has not already been assessed under another Re-opener;
- (e) the effect, or estimated effect, of the Net Zero Development or an Environmental Development on the cost of Licensed Activity results in Allowed Revenue Adjustment that exceeds the Materiality Threshold; and
- (f) costs incurred or expected to be incurred relate to changes on or after 1 April 2026.

3.6.7 The Authority may make modifications under this Re-opener at any time during the Price Control Period.

3.6.8 The following modifications to the licence may be made under this Re-opener:

- (a) modifications to the outputs, delivery dates and allowances in Appendix 1; and
- (b) modifications to the outputs, delivery dates and allowances in the other special conditions of this licence.

3.6.9 Any modifications made under the Re-opener in this Part C will be made under section 11A of the Act.

Part D: Assessment of the Price Control Deliverable (DEPROR_t)

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

Part E: The process for making a direction

3.6.11 Before making a direction under paragraph 3.6.10, the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

3.6.12 A direction under paragraph 3.6.10 will set out:

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

Appendix 1

Decarbonisation and environmental policy Price Control Deliverable (£m) per Regulatory Year

Output	Delivery date	2026/27	2027/28	2028/29	2029/30	2030/31	Total
N/A	N/A	0.00	0.00	0.00	0.00	0.00	0.00

Special Condition 3.7 Digitalisation Re-opener ($DIGI_t$)

Introduction

- 3.7.1 The purpose of this condition is to calculate the term $DIGI_t$ (the Digitalisation Re-opener allowance term). This contributes to the calculation of the Totex Allowance.
- 3.7.2 The effect of this condition is to establish a Re-opener for the licensee and the Authority to trigger amendments to the value of $DIGI_t$ during the Price Control Period where there is a change in requirements for digital or data services from the government or the Authority, or an advancement of Mature Innovation projects.
- 3.7.3 This condition also sets out the process the Authority will follow when directing any changes under Part A or Part C of this condition.

Part A: What costs are within scope of this Re-opener?

- 3.7.4 The licensee may apply to the Authority for a direction to amend the value of $DIGI_t$ specified in Appendix 1 where the licensee incurs or expects to incur costs that result in Allowed Revenue Adjustment that exceed the Materiality Threshold as a result of:

- (a) a change in legislation, licences, regulatory requirements, or industry codes, under which a licensee is required to provide new, or significantly altered, digital or data services, including government or the Authority implementing energy sector reforms such as the Data Sharing Infrastructure or National Underground Asset Register; or
- (b) a re-tendering of the smart metering system resulting in additional roles or responsibilities for the licensee with regards to the smart metering system; or
- (c) the licensee implementing Mature Innovation related to data and digitalisation to fulfil obligations in the conditions of this licence.

3.7.5 The licensee may apply to the Authority for a direction to amend the value of DIGI_t specified in Appendix 1 where the licensee incurs or expects to incur costs that fall below the Materiality Threshold, provided that all such costs meet the requirement set out in paragraph 3.7.4(a).

Part B: Digitalisation Re-opener

3.7.6 The licensee may only apply to the Authority for a modification under Part A:

- (a) between 1 October 2028 and 31 October 2028; and
- (b) during such other periods as the Authority may direct.

3.7.7 An application under Part A must be made in writing to the Authority and: The licensee must, when making an application under the Digitalisation Re-opener, send to the Authority a written application that:

- (a) gives details demonstrating how it is eligible to apply under Part A;
- (b) sets out the proposed modifications to the value of DIGI_t in 3.7.13 Appendix 1;
- (c) explains the basis for calculating the modifications requested to the term DIGI_t and the relevant profiling of the term DIGI_t; and
- (d) provides such detailed supporting evidence as is reasonable in the circumstances.

3.7.8 An application under this Part must:

- (a) where any of the circumstances in paragraphs 3.7.4(a) or 3.7.5 apply, relate to changes to the roles and responsibilities of the licensee introduced on or after 11 December 2024;
- (b) be confined to costs incurred or expected to be incurred on or after 1 April 2026; and
- (c) take account of allowed expenditure which can be avoided as a result of the modifications requested.

Part C: Authority triggered Re-opener

3.7.9 The Authority will also consider directing amendments to the value of DIGI_t without an application being made under Part A where it considers that circumstances of the type referred to in Part A exist.

3.7.10 A modification under this Part C will be made under section 11A of the Act.

Part D: Process the Authority will follow in making a direction

3.7.11 The Authority may only make a direction under Part A where:

- (a) a circumstance in Part A exists; and
- (b) the requirements in paragraph 3.7.8 have been met.

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

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a statement setting out the period during which representations may be made on the proposed direction, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

3.7.13 The direction will set out any adjustments to the value of the $DIGI_t$ term and the Regulatory Years to which those adjustments relate.

Appendix 1

Digitalisation Re-opener allowances ($DIGI_t$) by Regulatory Year (£m)

	26/27	27/28	28/29	29/30	30/31	Total allowance (all years)
$DIGI_t$	0.00	0.00	0.00	0.00	0.00	0.00

Special Condition 3.8 Coordinated adjustment mechanism Re-opener (CAM_t)

Introduction

- 3.8.1 The purpose of this condition is to calculate the term CAM_t (the coordinated adjustment mechanism term). This contributes to the calculation of the Totex Allowance.
- 3.8.2 The effect of this condition is to establish a Re-opener for the licensee and Authority to trigger amendments to CAM_t and associated outputs where an opportunity that delivers greater overall consumer value has been identified to reallocate responsibility for, and revenue associated with, a CAM Activity to or from a Partner Licensee.
- 3.8.3 This condition also explains the process the Authority will follow when directing any changes as a result of this Re-opener.

Part A: What costs are within scope of this Re-opener?

- 3.8.4 The licensee may apply to the Authority at any time during the Price Control Period for a direction adjusting the value of the CAM_t term and the outputs, delivery dates and allowances within the special conditions relating to the CAM

Activity for any Regulatory Year during the Price Control Period as a result of reaching agreement to reallocate responsibility and associated revenue for a CAM Activity to or from a Partner Licensee.

Part B: How to make an application

3.8.5 An application under paragraph 3.8.4 must be made in writing to the Authority and:

- (a) give a description of the engagement between the licensee and the Partner Licensee which has led to the application;
- (b) explain whether the licensee is applying to have the CAM Activity reallocated to the licensee from the Partner Licensee, or from the licensee to the Partner Licensee;
- (c) explain why the original allocation of the CAM Activity no longer delivers greater overall consumer value, and why the reallocation delivers greater overall consumer value;
- (d) give a description of the CAM Activity and associated revenue that the licensee is applying to reallocate;
- (e) set out any amendments requested to the outputs, delivery dates or allowances established by the special conditions of this licence and that of the Partner Licensee, relating to the CAM Activity;
- (f) set out the adjustments to the value of the CAM_t term for both the licensee and the Partner Licensee that the licensee is requesting and the Regulatory Years to which that adjustment relates;
- (g) explain the basis of the calculation for the proposed adjustments to the value of the licensee and the Partner Licensee's CAM_t terms or other allowances of the licensee and the Partner Licensee;
- (h) provide such detailed supporting evidence including cost benefit analysis, impact assessments, risk mitigation, and engineering justification statements as set out in the Re-opener Guidance and Application Requirements Document as is reasonable in the circumstances; and
- (i) provide a copy of the agreement between the licensee and the Partner Licensee to transfer responsibility for and associated revenue of the CAM Activity.

3.8.6 An application under paragraph 3.8.4 must:

- (a) take account of any allowed expenditure by both the licensee and the Partner Licensee, which can be avoided as a result of the change; and
- (b) be confined to costs incurred or expected to be incurred on or after 1 April 2026.

Part C: Authority triggered Re-opener

3.8.7 The Authority will also consider directing modifications to this licence and that of the Partner Licensee without an application being made under paragraph 3.8.4 where:

- (a) the ISOP has identified instances where the Partner Licensee would be better placed to deliver outputs established by the special conditions of this licence; and

(b) the Authority has reached agreement with the licensee and the Partner Licensee that the Partner Licensee would be better placed to deliver outputs established by the special conditions of this licence.

3.8.8 The Authority triggered Re-opener may include requirements for submission of evidence and detail adjustments to outputs and allowances as detailed in Part B.

Part D: What process will the Authority follow in making a direction

3.8.9 Before making a direction under paragraph 3.8.4 or paragraph 3.8.7 the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

3.8.10 The direction will set out:

- (a) any adjustments to the PCFM Variable Values of this licence and that of the Partner Licensee;
- (b) the Regulatory Years to which those adjustments relate; and
- (c) any amendments to the outputs and delivery dates established by the special conditions of this licence and that of the Partner Licensee.

Special Condition 3.9 Operational transport emissions reduction Price Control Deliverable (OTE_t)

Introduction

3.9.1 The purpose of this condition is to calculate the term OTE_t (the operational transport emissions reduction Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.

3.9.2 This condition specifies the allowances for the Price Control Deliverable and the reduction in allowances if the licensee does not deliver the target volume of Zero Emissions Vehicles (ZEVs).

Part A: Formula for calculating the operational transport carbon reduction Price Control Deliverable term (OTE_t)

3.9.3 The value of OTE_t is derived in accordance with the following formula:

$$OTE_t = \left(\sum_{n=1}^3 OTEU_n \times \min(OTED_n, OTEV_n) \right) \frac{OTEA_t}{\sum OTEA_t}$$

where:

OTEA_t means the allowance set out in Appendix 1;

$\sum OTEA_t$	means the total operational transport emissions reduction allowance for the Price Control Period;
$OTEV_n$	means the target number of vehicles for each vehicle category n and set out in Appendix 2;
$OTED_n$	means the number of vehicles for each vehicle category n the licensee delivers as of 31 March 2031;
$OTEU_n$	means the vehicle category allowed unit costs, as set out in Appendix 2; and
n	means the vehicle category, as set out in Appendix 2.

Part B: What is the licensee funded to deliver?

- 3.9.4 The licensee is funded to deliver the target volume of annual lease payments vehicles for each vehicle in vehicle category n which is available to the licensee for its operations during the price control period specified in Appendix 2 by 31 March 2031.

Appendix 1

Operational Transport Emissions Reduction PCD allowance (£m)

Network	2026/27	2027/28	2028/29	2029/2030	2030/31	Total Allowance
NGET	1.64	1.18	1.49	2.23	1.90	8.44

Appendix 2

Target number of ZEV purchases and units costs

Network	Vehicle category (n)	Target numbers $OTEV_n$	Allowed unit cost (£), $OTEU_n$
NGET	Medium Van (ZEV)	393	NGET Redacted Information Document
	Large Van (ZEV)	45	NGET Redacted Information Document
	4x4 (ZEV)	205	NGET Redacted Information Document

Special Condition 3.10 Non-load Re-opener and Price Control Deliverable (NLR_t)

Introduction

- 3.10.1 The purpose of this condition is to set the value of the term NLR_t (the non-load Re-opener term). This contributes to the calculation of the Totex Allowance.
- 3.10.2 The effect of this condition is to:

- (a) specify the Price Control Deliverables for the relevant non-load Re-opener terms including the associated delivery dates and allowances specified in Appendices 1, 3 and 4;
- (b) specify the licence obligations relating to the relevant non-load Re-opener terms including the associated delivery dates and allowances specified in Appendices 2 and 5;
- (c) establish the Non-Load Re-opener that may be triggered by the licensee or the Authority in respect of qualifying Non-Load Related Expenditure;
- (d) set the formulae for calculating the relevant non-load Re-opener terms that make up NLR_t; and
- (e) establish the application requirements, and the process the Authority will follow when determining the value of terms set out in Appendices 1-5.

Part A: The value of the Non-Load Re-opener term (NLR_t)

3.10.3 The value of NLR_t is derived in accordance with the following formula:

$$NLR_t = NLR_BASE_t + NLR_FAULT_t + NLR_LSC_t + NLR_RES_t + NARMCP_t$$

where:

NLR_BASE_t	is derived in accordance with the formula specified in paragraph 3.10.4;
NLR_FAULT_t	means the sum of allowances specified in Appendix 2;
NLR_LSC_t	is derived in accordance with the formula specified in paragraph 3.10.5;
$NARMCP_t$	is derived in accordance with the formula specified in paragraph 3.10.6.
NLR_RES_t	means the sum of allowances specified in Appendix 5.

Part B: Formula for calculating the non load Re-opener allowance terms (NLR_BASE_t, NLR_LSC_t, NARMCP_t)

3.10.4 The value of NLR_BASE_t is derived in accordance with the following formula:

$$NLR_BASE_t = NBA_t - NBAA_t$$

where:

NBA_t	means the sum of allowances specified in Appendix 1; and
$NBAA_t$	has the value zero unless otherwise directed by the Authority in accordance with Part I.

3.10.5 The value of NLR_LSC_t is derived in accordance with the following formula:

$$NLR_LSC_t = LSCA_t - LSCAA_t$$

where:

$LSCA_t$ means the sum of allowances specified in Appendix 3; and

$LRAA_t$ has the value zero unless otherwise directed by the Authority in accordance with Part I.

3.10.6 The value of $NARMCP_t$ is derived in accordance with the following formula:

$$NARMCP_t = NARMA_t - NARMAA_t$$

where:

$NARMA_t$ means the sum of allowances in year t specified in Appendix 4; and

$NARMAA_t$ has the value zero unless otherwise directed by the Authority in accordance with Part I.

Part C: The scope of the licensee triggered terms under this Re-opener

3.10.7 The licensee may apply to the Authority for a modification to the values in Appendices 1-4 as follows:

- (a) To adjust the information contained within Appendix 1, in respect of projects which originally had load and non-load drivers where the ISOP has confirmed that the load-related driver no longer applies and a non-load driver remains or where the licensee can provide sufficient evidence to the Authority that the load-related driver no longer applies, in respect of any RIIO-ET3 project approved as part of Final Determinations or any project approved by the Authority under Special Condition 3.17, 3.18, 3.19 or 3.21; or
- (b) To adjust the information contained within Appendix 2, in respect of projects where the licensee has identified a Type Fault and the Type Fault is not otherwise funded under existing RIIO-T3 allowances; or
- (c) To adjust the information contained within Appendix 3, in respect of new or amended legislation which has been enacted or regulations which have been made that relate to legal and safety compliance and affect the licensee's assets or operations where compliance requires adjustment in value or operational changes not otherwise funded under existing allowances; or
- (d) To adjust the information contained within Appendix 4, in respect of NARM Crossover Projects where the licensee considers the allowances, outputs, and delivery date, as determined by Authority through RIIO-ET2 close out are no longer appropriate.

3.10.8 An application under this Part must relate to costs incurred or expected to be incurred which exceed the Materiality Threshold.

- (a) be confined to Non-Load Related Expenditure incurred or expected to be incurred on or after 1 April 2026; and

3.10.9 The licensee may submit a re-opener application during the specified periods in accordance with Part D

Part D: Application Periods for licensee triggered non-load re-opener terms

3.10.10 The licensee may only apply to the Authority for an adjustment under Part C:

- (a) to the information contained within Appendix 1, Appendix 2 or Appendix 3 during the first five working days of October 2028 and October 2029;
- (b) to the information contained within Appendix 4 during the first five working days of October 2028; and
- (c) during any other periods as the Authority may direct.

Part E: Making an application for licensee triggered non-load re-opener terms

3.10.11 An application under Part B must be made in writing and include:

- (a) the following requirements which apply in respect of all terms:
 - (b) a justification for the allowance; and
 - (c) proposed delivery date(s); and
- (d) the following requirements which apply in respect of adjusting the appendix information associated with each term only:
 - i. For NLR_BASE_t , identification of the Load Related Expenditure with which the non-load driver was associated, a justification for the allowance requested, identification of the Load Related Expenditure with which the non-load driver was previously associated, counterfactual analysis and/or engineering justification statements demonstrating that the non-load needs case would have existed independently of the load driver, where relevant justification under the Network Asset Risk Metric (NARM) framework for the works, and a list of options considered and rationale for selection of the preferred option; or
 - ii. For NLR_FAULT_t , a description of the Type Fault, confirmation that the Type Fault is not otherwise funded under existing allowances, confirmation that no equipment manufacturer or contractor indemnities have, or can be used, intervention options considered and rationale for the chosen solution and, where relevant, evidence of manufacturer recall; or
 - iii. For NLR_LSC_t , identification of the legislation or regulation triggering additional compliance requirements, descriptions of required works and impact on assets or operations, and any alternative compliance options considered and the justification for preferred approach; or
 - iv. For $NARMPCP_t$, evidence and justification as to why the licensee considers that the allowances outputs, or delivery dates, as determined by Authority through RIIO-ET2 close out, are no longer appropriate.

Part F: Authority triggered Re-opener

3.10.12 The Authority may, in accordance with 3.10.15, set or adjust the information contained in Appendix 5, where the Authority considers that there has been one or more Exceptional Fault or Failure Events that fall Outside Planned Works.

3.10.13 A modification under this Part must:

- (a) be confined to Non-Load Related Expenditure incurred or expected to be incurred on or after 1 April 2026; and

(b) relate to costs incurred or expected to be incurred which exceed the Materiality Threshold.

3.10.14 Before making such a modification under this Part, the Authority may require the licensee to provide:

(a) a justification for the allowance;

(b) the proposed delivery year(s); and

(c) a description of the Exceptional Fault or Failure Event and its impact on assets, evidence of asset damage and restoration need, and confirmation that no equipment manufacturer or contractor indemnities or warranties have, or can be used.

Part G: Process the Authority will follow in making a modification and reporting requirements

3.10.15 Any modifications made under this licence condition will be made under section 11A of the Act.

3.10.16 The licensee must report on delivery of the outputs specified in Appendices 1-5 in accordance with Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements).

Part H: Non-load Re-opener outputs for NLR_RES_t and NLR_FAULT_t

3.10.17 Outputs for NLR_RES_t and NLR_FAULT_t must be Fully Delivered by the licensee as specified in Appendices 2 and 5.

Part I: Assessment of the Price Control Deliverables (NLR_BASE_t , NLR_LSC_t , $NARMCP_t$, NLR_COR_t)

3.10.18 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for $NBAA_t$, $LSCAA_t$, $NARMAA_t$ where the licensee has not Fully Delivered an output in Appendices 1,3 and 4.

Appendix 1

NLR_BASE_t Outputs and allowances (£m)

Project Name	Original T3 Load Driver	Non-load Driver	Delivery Date	Allowance (£m)	Justification Reference

Appendix 2

NLR_FAULTt Outputs and allowances (£m)

Fault Type	Asset Category	Intervention Description	Delivery Date	Allowance (£m)

Appendix 3

NLR_LSCt Outputs and allowances (£m)

Legislation / Regulation	Impact Area	Required Works	Delivery Date	Allowance (£m)

Appendix 4

NARMCPt Outputs and allowances (£m)

Project Name	RIIO-ET3 Delivery Outputs	RIIO-ET3 Delivery Period	RIIO-ET3 Allowance determined at closeout (£m)	Justification Reference

Appendix 5

NLR_RESt Outputs and allowances (£m)

Asset Category	Failure Description	Intervention Description	Delivery Date	Allowance (£m)

Special Condition 3.11 Generation Connections volume driver (GCE_t)

Introduction

- 3.11.1 The purpose of this condition is to provide for the calculation of the term GCE_t (the Generation Connections volume driver term). This contributes to the calculation of the Totex Allowance.
- 3.11.2 The effect of this condition is to adjust revenue to fund the licensee for Generation Connection Capacity, overhead lines and underground cables delivered during the Price Control Period relative to baseline allowances.
- 3.11.3 This condition also adjusts revenue to fund the licensee for Generation Connection Capacity, overhead lines and underground cables that the licensee forecasts it will deliver in the first two years of the next price control period starting on 1 April 2031.

Part A: Formula for calculating the Generation Connections volume driver term (GCE_t)

- 3.11.4 The value of GCE_t is derived in accordance with the following formula, subject to Parts B & C of this condition:

$$GCE_t = \left(\sum_{p=2026/27}^{2032/33} VGCE_p \cdot PGCE_{t,p} \right) \cdot RAC + (TPG_t - TPRG_t)$$

where:

<i>t</i>	means the Regulatory Year for which the allowed expenditure is calculated;
<i>p</i>	means the Regulatory Year in which the Generation Connection is delivered. This is to be interpreted as the Regulatory Year in which the Connection Project Completion Date occurs;
<i>VGCE_p</i>	means the Generation Connection volume driver allowance as derived in accordance with paragraph 3.11.5;
<i>TPG_t</i>	means the total expenditure efficiently incurred in each TP Regulatory Year by the licensee in respect of Generation Connections where the Users reduce Generation Connection Capacity or terminate the relevant bilateral agreements prior to commencing use of the Generation Connection, with “t” representing the year in which the adjustment is recovered;
<i>TPRG_t</i>	means an amount equal to the actual income from termination receipts received, in the form of revenues or capital contributions,

in respect of TPG_t in each TP Regulatory Year, with “t” representing the year in which the adjustment is recovered;

$PGCE_{t,p}$ means the profiling factor of allowance in Regulatory Year t for Generation Connections delivered in Regulatory Year p, as set out in Appendix 1; and

RAC means the risk and contingency allowance escalator, set as a 10% increase on volume driver allowances (i.e. a multiplier of 1.1).

3.11.5 The value of $VGCE_p$ is derived in accordance with the following formula:

$$VGCE_p = SGCE_p + OHLR_p + CBLSp + CBLRp$$

where:

$$SGCE_p = GUC \cdot (AGC_p - BGC_p) + GCONfix \cdot (AGCONp - BGCONp)$$

$$OHLR_p = OHLRGUC \cdot (ALOHLR_p - BLOHLR_p) + OHLRCGUC \cdot (ACOHLR_p - BCOHLR_p)$$

$$CBLSp = CBLSGUC \cdot (ALCBLSp - BLCBLSp) + CBLScfix \cdot (AGCBLSp - BGCBLSp)$$

$$CBLRp = CBLLGUC \cdot (ALCBLLp - BLCBLLp) + CBLLfix \cdot (AGCBLLp - BGCBLRp)$$

where:

$SGCE_p$ means the generation substation allowance;

GUC means the Generation Connection Capacity unit cost allowance as set out in Appendix 3;

AGC_p means the actual Generation Connection Capacity in MW or MVA delivered in Regulatory Year p;

BGC_p means the baseline Generation Connection Capacity in MW or MVA for Regulatory Year p, as set out in Appendix 2;

$GCONfix$ means the fixed revenue for each new Generation Connection project delivered as set out in Appendix 3;

$AGCONp$ means the actual number of Generation Connection projects delivered in Regulatory Year p;

$BGCONp$ means the baseline number of Generation Connection projects delivered in Regulatory Year p, as set out in Appendix 2;

$OHLR_p$ means the overhead line reconductoring activity allowance;

$OHLRGUC$ means the unit cost allowance for overhead line reconductoring activity as set out in Appendix 3;

<i>ALOHLR_p</i>	means the actual length of overhead line reconductoring activity in circuit kilometres commissioned as part of delivering the AGC _p in Regulatory Year p;
<i>BLOHLR_p</i>	means the baseline length of overhead line reconductoring activity in circuit kilometres as part of delivering the BGC _p in Regulatory Year p, as set out in Appendix 2;
<i>OHLRCGUC</i>	means the unit cost allowance for overhead line reconductoring activity based on the number of overhead line major crossings for affected lines as set out in Appendix 3;
<i>ACOHLR_p</i>	means the actual number of overhead line major crossings for overhead lines affected by reconductoring activity commissioned as part of delivering the AGC _p in Regulatory Year p;
<i>BCOHLR_p</i>	means the baseline number of overhead line major crossings for overhead lines affected by reconductoring activity commissioned as part of delivering the BGC _p in Regulatory Year p, as set out in Appendix 2;
<i>CBLS_p</i>	means the new underground cable with circuit kilometres less than 1km allowance;
<i>CBLSGUC</i>	means the unit cost allowance for underground cable with circuit kilometres less than 1km as set out in Appendix 3;
<i>ALCBLS_p</i>	means the actual length of new underground cable in circuit kilometres less than 1km commissioned as part of delivering the AGC _p in Regulatory Year p;
<i>BLCBLS_p</i>	means the baseline length of new underground cable in circuit kilometres less than 1km commissioned as part of delivering the BGC _p in Regulatory Year p, as set out in Appendix 2;
<i>CBLSfix</i>	means the fixed revenue per project with new underground cable in circuit kilometres less than 1km as set out in Appendix 3;
<i>AGCBLS_p</i>	means actual number of new Generation Connection projects delivered in Regulatory Year p, where the length of new underground cable is less than 1km;
<i>BGCBLS_p</i>	means actual number of baseline Generation Connection projects delivered in Regulatory Year p, where the length of new underground cable is less than 1km, as set out in Appendix 2;
<i>CBLL_p</i>	means the new underground cable with circuit kilometres greater than or equal to 1km allowance;

<i>CBLLGUC</i>	means the unit cost allowance for underground cable with circuit kilometres greater than or equal to 1km as set out in Appendix 3;
<i>ALCBLL_p</i>	means the actual length of new underground cable in circuit kilometres greater than or equal to 1km commissioned as part of delivering the AGC _p in Regulatory Year p;
<i>BLCBLL_p</i>	means the baseline length of new underground cable in circuit kilometres greater than or equal to 1km commissioned as part of delivering the BGC _p in Regulatory Year p, as set out in Appendix 2;
<i>CBLLfix</i>	means the fixed revenue per project with new underground cable in circuit kilometres greater than or equal to 1km as set out in Appendix 3;
<i>AGCBLL_p</i>	means actual number of new Generation Connection projects delivered in Regulatory Year p, where the length of new underground cable is greater than or equal to 1km; and
<i>BGCBLL_p</i>	means actual number of baseline Generation Connection projects delivered in Regulatory Year p, where the length of new underground cable is greater than or equal to 1km, as set out in Appendix 2.

Part B: Atypical thresholds for Generation Connection volume driver term (GCE_t)

- 3.11.6 The purpose of atypical thresholds is to prevent large under- or over-recovery of costs for projects which have atypical costs beyond a reasonable level around the allowance.
- 3.11.7 A project is atypical if the difference between forecast total costs and the allowance determined in Part A of this condition is greater than the atypical threshold value.
- 3.11.8 The allowances for the atypical project are provided through the Load use it or lose it allowance provided under Special Condition 3.17 (Load use it or lose it allowance (LIt) if the forecast total cost is less than or equal to £40m. The licensee may apply under Part C of Special Condition 3.18 Load Re-opener and Price Control Deliverable (LRt) where an atypical project has a total forecast cost greater than £40m. In both instances, no allowances will be provided under this volume driver for the project.
- 3.11.9 The atypical threshold is calculated as the weighted average of residual standard errors for each volume driver component, multiplied by a multiplier factor.

- 3.11.10 The atypical threshold starts with a multiplier factor of 0.3 for a project with generation capacity of 0MW. This multiplier factor increases to 1.5 at a generation capacity of 300MW. Above 300MW the multiplier factor is constant at 1.5.
- 3.11.11 Generation Connection projects with 0 output and 0 expenditure would also be defined as atypical.
- 3.11.12 The value of the atypical threshold is derived in accordance with the following set of formulas:

For project generation capacity <300MW/MVA:

$$ATYPGCE = WSE \cdot (MULT_0 + MW \cdot MULT_{MW})$$

where:

ATYPGCE means the Generation Connection volume driver atypical threshold;

WSE means the residual standard error for each cost driver, weighted by the proportion of total projects attributable to that driver, aggregated across all relevant components. This is a fixed value throughout the price control;

MULT₀ means the initial multiplier factor applied to the weighted standard error at 0MW/MVA generation capacity;

MW means the MW/MVA generation capacity of the project up to 300MW/MVA; and

MULT_{MW} means the constant marginal multiplier applied to MW/MVA generation capacity of a project.

- 3.11.13 For project generation capacity ≥300MW/MVA:

$$ATYPGCE = WSE \cdot MULT_1$$

where:

MULT₁ means the multiplier factor applied to the weighted standard error at 300MW/MVA generation capacity and above.

- 3.11.14 A Generation Connection project is identified as being atypical under the following two conditions:

$$FDC - VGCE > ATYPGCE$$

or

$$FDC - VGCE < -ATYPGCE$$

where:

<i>FDC</i>	means the forecasted total cost of the project;
<i>VGCE</i>	means the total Generation Connection volume driver allowance per project, as derived in Part A of this condition;
<i>ATYPGCE</i>	means the Generation Connection volume driver atypical threshold, as set out in Appendix 4.

Part C: Timing of project connection and eligibility for the Generation Connection volume driver term (GCE_t)

- 3.11.15 Projects where the Generation Connection is scheduled to be delivered up to 31 March 2028 and where allowances have been received prior to 1 April 2026 are to be funded through the Generation volume driver for RII0-ET2, as set out in Special Condition 3.23 ET2/ET3 Crossover adjustments ($T2ACAt$) under the uncertainty mechanism crossover term $T2GCE_t$.
- 3.11.16 Projects where the Generation Connection is scheduled to be delivered up to 31 March 2028 and where allowances are first received in Regulatory Year 2026-27 are to be funded through the Generation Connection volume driver as set out in Parts A and B of this condition.
- 3.11.17 Projects where the Generation Connection is delivered up to 31 March 2033 and where allowances are received from Regulatory Year 2026-27 and before Regulatory Year 2031-32 are to be funded through the Generation Connection volume driver as set out in Parts A and B of this condition.

Appendix 1

Profiling factors ($PGCE_{t,p}$)

p=year of delivery t= year of allowance	t=2026/27	t=2027/28	t=2028/29	t=2029/30	t=2030/31	t=2031/32	t=2032/33
p=2026/27	1	0	0	0	0	0	0
p=2027/28	0.75	0.25	0	0	0	0	0
p=2028/29	0.35	0.40	0.25	0	0	0	0
p=2029/30	0.05	0.30	0.40	0.25	0	0	0
p=2030/31	0	0.05	0.30	0.40	0.25	0	0
p=2031/32	0	0	0.05	0.30	0.40	0.25	0

p=2032/33	0	0	0	0.05	0.30	0.40	0.25
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Appendix 2

Baseline Generation Connection Capacity, length of overhead lines, underground cables and delivered Generation Connection projects per Regulatory Year

	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
	7	8	9	0	1	2	3
BGC _p (MW or MVA)	1329.04	1832.89	2042	471	320	320	0
BLOHLR _p (km)	0	0	0	0	0	0	0
BCOHLR _p (#)	0	0	0	0	0	0	0
BLCBLS _p (km)	0.4	1	0.6	0.2	0.2	0	0
BGCBLS _p (#)	0	1	1	0	1	0	0
BLCBLL _p (km)	0	0	0	0	0	0	0
BGCBLL _p (#)	0	0	0	0	0	0	0
BGCON _p (#)	17	11	10	4	1	1	0

Appendix 3

Generation and Demand Connections Volume Driver modelled unit costs

Volume driver	Unit of measurement	Unit rate (£m)	Fixed allowance (£m)
Substation generation	MW/MVA	REDACTED	REDACTED
Substation demand	MW/MVA	REDACTED	REDACTED
OHL reconductoring	km	REDACTED	REDACTED
OHL reconductoring crossings	Number	REDACTED	REDACTED
Cable < 1km	km	REDACTED	REDACTED
Cable ≥ 1km	km	REDACTED	REDACTED

Appendix 4

Atypical thresholds (ATYPGCE)

Licence term	Substation capacity (MW)	Atypical threshold (£m)
ATYPGCE	> = 300	±7.422
ATYPGCE	<300	±1.484 ± (0.01979 x #MW)

Special Condition 3.12 Demand Connections volume driver (DRI_t)

Introduction

- 3.12.1 The purpose of this condition is to provide for the calculation of the term DRI_t (the Demand Connections volume driver term). This contributes to the calculation of the Totex Allowance.
- 3.12.2 The effect of this condition is to adjust revenue to fund the licensee for Demand Connection Capacity, overhead lines and underground cables delivered during the Price Control Period relative to baseline allowances.
- 3.12.3 This condition also adjusts revenue to fund the licensee for Demand Connection Capacity, overhead lines and underground cables that the licensee forecasts it will deliver in the first two years of the next price control period starting on 1 April 2031.

Part A: Part A: Formula for calculating the Demand Connections volume driver term (DRI_t)

- 3.12.4 The value of DRI_t is derived in accordance with the following formula, subject to Parts B & C of this condition:

$$DRI_t = \left(\sum_{p=2026/27}^{2032/33} VDRI_p \cdot PDCE_{t,p} \right) \cdot RAC + (TPD_t - TPRD_t)$$

where:

- t* means the Regulatory Year for which the allowed expenditure is calculated;
- p* means the Regulatory Year in which the Demand Connection is delivered;
- VDRI_p* is the Demand Connection volume driver allowance as derived in accordance with paragraph 3.12.5;

TPD_t	means the total expenditure efficiently incurred in each TP Regulatory Year by the licensee in respect of Demand Connections where the Users terminate the relevant bilateral agreements prior to commencing use of the Demand Connection, with “t” representing the year in which the adjustment is recovered;
$TPRD_t$	means an amount equal to the actual income from termination receipts received, in the form of revenues or capital contributions, in respect of TPD_t in each TP Regulatory Year, with “t” representing the year in which the adjustment is recovered;
$PDCE_{t,p}$	means the profiling factor of allowance in Regulatory Year t for Demand Connections delivered in Regulatory Year p, as set out in Appendix 1; and
RAC	means the risk and contingency allowance escalator, set as a 10% increase on volume driver allowances (i.e. a multiplier of 1.1).

3.12.5 The value of $VDRI_p$ is derived in accordance with the following formula:

$$VDRI_p = SDRI_p + OHLRD_p + CBLSD_p + CBLLD_p S$$

where:

$$SDRI_p = DUC \cdot (ADC_p - BDC_p) \cdot (ADCON_p - BDCON_p)$$

$$OHLRD_p = OHLRDUC \cdot (ALOHLRD_p - BLOHLRD_p) + OHLRCDUC \cdot (ACOHLRD_p - BCOHLRD_p)$$

$$CBLSD_p = CBLSDUC \cdot (ALCBLSD_p - BLCBLSD_p) + CBLSDfix \cdot (ADCBLSp - BDCBLSp)$$

$$CBLLD_p = CBLLDUC \cdot (ALCBLLD_p - BLCBLLD_p) + CBLLDfix \cdot (ADCBLLp - BDCBLLp)$$

where:

$SDRI_p$	means the demand substation allowance;
DUC	means the Demand Connection Capacity unit cost allowance as set out in the NGET Redacted Information Document;
ADC_p	means the actual Demand Connection Capacity in MW or MVA delivered in Regulatory Year p;
BDC_p	means the baseline Demand Connection Capacity in MW or MVA for Regulatory Year p, as set out in Appendix 2;
$ADCON_p$	means the actual number of demand projects;

<i>BDCON_p</i>	means the baseline number of demand projects, as set out in Appendix 2;
<i>OHLRD_p</i>	means the overhead line reconductoring activity allowance;
<i>OHLRDUC</i>	means the unit cost allowance for overhead line reconductoring activity as set out in Appendix 3;
<i>ALOHLRD_p</i>	means the actual length of overhead line reconductoring activity in circuit kilometres commissioned as part of delivering the ADC _p in Regulatory Year p;
<i>BLOHLRD_p</i>	means the baseline length of overhead line reconductoring activity in circuit kilometres as part of delivering the BDC _p in Regulatory Year p, as set out in Appendix 2;
<i>OHLRCDUC</i>	means the unit cost allowance for overhead line reconductoring activity based on the number of overhead line major crossings for affected lines as set out in Appendix 3;
<i>ACOHLRD_p</i>	means the actual number of overhead line major crossings for overhead lines affected by reconductoring activity commissioned as part of delivering the ADC _p in Regulatory Year p;
<i>BCOHLRD_p</i>	means the baseline number of overhead line major crossings for overhead lines affected by reconductoring activity commissioned as part of delivering the BDC _p in Regulatory Year p, as set out in Appendix 2;
<i>CBLSD_p</i>	means the new underground cable with circuit kilometres less than 1km allowance;
<i>CBLSDUC</i>	means the unit cost allowance for underground cable with circuit kilometres less than 1km as set out in Appendix 3;
<i>ALCBLSD_p</i>	means the actual length of new underground cable in circuit kilometres less than 1km commissioned as part of delivering the ADC _p in Regulatory Year p;
<i>BLCBLSD_p</i>	means the baseline length of new underground cable in circuit kilometres less than 1km commissioned as part of delivering the BDC _p in Regulatory Year p, as set out in Appendix 2;
<i>CBLSD_{fix}</i>	means the fixed revenue per project with new underground cable in circuit kilometres less than 1km as set out in Appendix 3;

<i>AGCBLS_{Dp}</i>	means actual number of new Demand Connection projects delivered in Regulatory Year p, where the length of new underground cable is less than 1km;
<i>BDCBLS_p</i>	means baseline number of Demand Connection projects delivered in Regulatory Year p, where the length of new underground cable is less than 1km, as set out in Appendix 2;
<i>CBLLD_p</i>	means the new underground cable with circuit kilometres greater than or equal to 1km allowance;
<i>CBLLDUC</i>	means the unit cost allowance for underground cable with circuit kilometres greater than or equal to 1km as set out in Appendix 3;
<i>ALCBLLD_p</i>	means the actual length of new underground cable in circuit kilometres greater than or equal to 1km commissioned as part of delivering the ADC _p in Regulatory Year p;
<i>BLCBLLD_p</i>	means the baseline length of new underground cable in circuit kilometres greater than or equal to 1km commissioned as part of delivering the BDC _p in Regulatory Year p, as set out in Appendix 2;
<i>CBLLD_{fix}</i>	means the fixed revenue per project with new underground cable in circuit kilometres greater than or equal to 1km as set out in Appendix 3;
<i>ADCBLL_p</i>	means actual number of new Demand Connection projects delivered in Regulatory Year p, where the length of new underground cable is greater than or equal to 1km; and
<i>BDCBLL_p</i>	means baseline number of Demand Connection projects delivered in Regulatory Year p, where the length of new underground cable is greater than or equal to 1km, as set out in Appendix 2.

Part B: Atypical thresholds for Demand Connection volume driver term (DRIt)

- 3.12.6 The purpose of atypical thresholds is to prevent large under- or over-recovery of costs for projects which have atypical costs beyond a reasonable level around the allowance.
- 3.12.7 A project is atypical if the difference between forecast total costs and the allowance determined in Part A of this condition is greater than the atypical threshold value.
- 3.12.8 The allowances for the atypical project are provided through the Load use it or lose it allowance provided under Special Condition 3.17 (Load use it or lose it

allowance (LIt) if the forecast total cost is less than or equal to £40m. The licensee may apply under Part C of Special Condition 3.18 Load Re-opener and Price Control Deliverable (LRt) where an atypical project has a total forecast cost greater than £40m. In both instances, no allowances will be provided under this volume driver for the project.

- 3.12.9 The atypical threshold is calculated as the weighted average for each component in the model, multiplied by the multiplier factor of 1.5.
- 3.12.10 Demand Connection projects with 0 output and 0 expenditure would also be defined as atypical.
- 3.12.11 The value of the atypical threshold is derived in accordance with the following formula:

$$ATYPDRI = WSE \cdot MULT$$

where:

- ATYPDRI* means the Demand Connection volume driver atypical threshold, as set out in Appendix 4;
- WSE* means the residual standard error for each cost driver, weighted by the proportion of total projects attributable to that driver, aggregated across all relevant components. This is a fixed value throughout the price control;
- MULT* means the 1.5 multiplier factor applied to the weighted standard error, specific to each TO.

- 3.12.12 A Demand Connection project is identified as being atypical under the following two conditions:

$$FDC - VDRI > ATYPDRI$$

or

$$FDC - VDRI < -ATYPDRI$$

where:

- FDC* means the forecasted total cost of the project;
- VDRI* means the total Demand Connection volume driver allowance per project, as derived in Part A of this condition;
- ATYPDRI* means the Demand Connection volume driver atypical threshold.

Part C: Timing of project connection and eligibility for the Demand Connection volume driver term (DRIt)

- 3.12.13 Projects where the Demand Connection is delivered up to 31 March 2028 and where allowances have been received prior to 1 April 2026 are to be funded through the Demand volume driver for RII0-ET2, as set out in the Special Condition 3.23 ET2/ET3 Crossover adjustments (T2ACAt), under the uncertainty mechanism crossover term T2DRIt.
- 3.12.14 Projects where the Demand Connection is delivered up to 31 March 2028 and where allowances are first received in Regulatory Year 2026-27 are to be funded through the Demand Connection volume driver as set out in Parts A and B of this condition.
- 3.12.15 Projects where the Demand Connection is delivered up to 31 March 2033 and where allowances are received from Regulatory Year 2026-27 and before Regulatory Year 2031-32 are to be funded through the Demand Connection volume driver as set out in Parts A and B of this condition.

Appendix 1

Profiling factors (PDCE_{t,p})

p=year of delivery t= year of allowance	t=2026/27	t=2027/28	t=2028/29	t=2029/30	t=2030/31	t=2031/32	t=2032/33
p=2026/27	1	0	0	0	0	0	0
p=2027/28	0.75	0.25	0	0	0	0	0
p=2028/29	0.35	0.40	0.25	0	0	0	0
p=2029/30	0.05	0.30	0.40	0.25	0	0	0
p=2030/31	0	0.05	0.30	0.40	0.25	0	0
p=2031/32	0	0	0.05	0.30	0.40	0.25	0
p=2032/33	0	0	0	0.05	0.30	0.40	0.25

Appendix 2

Baseline Demand Connection Capacity, length of overhead lines, underground cables and delivered Demand Connection projects per Regulatory Year

Baseline values	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
BDC _p (MW or MVA)	0	240	240	480	480	0	240
BLOHLRD _p (km)	0	0	0	0	0	0	0
BLCBLSD _p (km)	0	0	0	0.3	0.3	0	0.5
BDCBLS _p (#)	0	0	0	1	1	0	1
BLCBLLD _p (km)	0	0	0	0	0	0	0
BDCBLL _p (#)	0	0	0	0	0	0	0
BDCON _p (#)	0	1	1	1	1	0	1
BCOHLRD _p (#)	0	0	0	0	0	0	0

Appendix 3

Generation and Demand Connections Volume Driver modelled unit costs

Volume driver	Unit of measurement	Unit rate (£m)	Fixed allowance (£m)
Substation generation	MW/MVA	REDACTED	REDACTED
Substation demand	MW/MVA	REDACTED	REDACTED
OHL reconductoring	km	REDACTED	REDACTED
OHL reconductoring crossings	Number	REDACTED	REDACTED
Cable < 1km	km	REDACTED	REDACTED
Cable ≥ 1km	km	REDACTED	REDACTED

Appendix 4

Atypical threshold (ATYPDRI)

Licence term	Substation capacity (MW)	Atypical threshold (£m)
ATYPDRI	All	±12.251

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

Introduction

3.13.1 The purpose of this condition is to specify the value of the CAI_t (the Closely Associated Indirects (CAI) use it or lose it allowance term). This contributes to the calculation of the Totex Allowance.

3.13.2 The effect of this condition is to:

- (a) specify the associated allowance for the CAI use it or lose it;
- (b) require the licensee to comply with the CAI UIOLI Governance Document;
- (c) provide for Use It Or Lose It Adjustment, both during and after the Price Control Period; and
- (d) explain the process the Authority will follow when issuing or amending the CAI UIOLI Governance Document.

Part A: Formula for calculating the CAI use it or lose it term (CAI_t)

3.13.3 The value of CAI_t is derived in accordance with the following formula:

$$CAI_t = CAIA_t + CAIFA_t + CAIR_t$$

where:

- CAIA_t means the sum of baseline use it or lose it allowances in Appendix 1;
- CAIFA_t is the adjustment for any further CAI use it or lose it allowances specified in Appendix 2 and has the value zero unless otherwise directed by the Authority in accordance with Part C; and
- CAIR_t is the CAI Use It Or Lose It Adjustment at the end of the price control period and has the value zero unless otherwise specified in accordance with Part D.

Part B: CAI UIOLI Governance Document

3.13.4 The licensee must comply with the CAI UIOLI Governance Document when incurring expenditure in relation to the allowance provided by this licence condition.

3.13.5 The Authority will issue and amend the CAI UIOLI Governance Document by direction.

- 3.13.6 The Authority will publish the CAI UIOLI Governance Document on the Authority's Website.
- 3.13.7 The CAI UIOLI Governance Document will make provision about the governance and administration of the CAI UIOLI allowance including:
- (a) the eligibility criteria, in respect of expenditure incurred relating to the allowance provided by this licence condition;
 - (b) the reporting obligations in respect of expenditure incurred in relation to CAI which the licensee must meet; and
 - (c) the process which the licensee must follow to request further CAI allowances.
- 3.13.8 Before the Authority directs that the CAI UIOLI Governance Document comes into effect, the Authority will publish on the Authority's Website:
- (a) the text of the proposed CAI UIOLI Governance Document; and
 - (b) the date on which the Authority intends the CAI UIOLI Governance Document to come into effect; and
 - (c) the period during which representations may be made on the content of the CAI UIOLI Governance Document, which will be up to 28 days unless the Authority determines that a longer period is appropriate.
- 3.13.9 Before directing an amendment to the CAI UIOLI Governance Document, the Authority will publish on the Authority's Website:
- (a) the text of the amended CAI UIOLI Governance Document;
 - (b) the reasons for amendments to the CAI UIOLI Governance Document;
 - (c) the date on which the Authority intends the amended CAI UIOLI Governance Document to come into effect; and
 - (d) the period during which representations may be made on the amendments to the CAI UIOLI Governance Document, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

Part C: Further CAI use it or lose it allowance (CAIFA_t)

- 3.13.10 During the Price Control Period, the licensee may apply to the Authority to direct an increase to the value of CAIFA_t.
- 3.13.11 An increase to the value of CAIFA_t is permitted where at least 80% of the CAI_t allowance has been spent and is for projects with forecast Direct Costs less than £150m and which receive capital expenditure under one of the following uncertainty mechanisms:
- (a) Special Condition 3.11 Generation Connections volume driver (GCE_t)
 - (b) Special Condition 3.12 Demand Connections volume drivers (DRI_t)
 - (c) Special Condition 3.17 Load use it or lose it allowance (LI_t)
 - (d) Special Condition 3.18 Load Re-opener (LR_t)

- 3.13.12 Applications to increase the value of $CAIFA_t$ under paragraph 3.13.10 must be made in writing and comply with paragraph 3.13.11 and the CAI UIOLI Governance Document.
- 3.13.13 The licensee must provide evidence in line with the CAI UIOLI Governance Document including showing that at least 80% of the total CAI UIOLI allowance (CAI_t) has been used up to the date of issuing the request to receive additional allowances. The Authority may direct an increase to the value of $CAIFA_t$ and allowances in Appendix 2, having regard to the information submitted by the licensee, where it is satisfied that:
- (a) Further allowances are required for additional projects and will be provided based on 10% of the forecast Direct Costs; or
 - (b) Further allowances are required where the residual allowances may be insufficient for projects under construction.

Part D: CAI Use It Or Lose It Adjustment ($CAIR_t$)

- 3.13.14 After the Price Control Period, the Authority will amend the value of $CAIR_t$ where it considers a Use It Or Lose It Adjustment is appropriate, in accordance with the CAI UIOLI Governance Document. This term could be a positive or negative value.
- 3.13.15 The Authority may amend $CAIR_t$ to be a positive where it considers an amendment is required to reflect an overall level of efficient costs.
- 3.13.16 The Authority may amend $CAIR_t$ to be a negative value where it considers such an amendment is required where a licensee has;
- (a) unspent allowances;
 - (b) use of allowances which fails to comply with the requirements set out in the CAI UIOLI Governance Document; or
 - (c) allowances spent inefficiently.
- 3.13.17 Any modification under this Part will be made under section 11A of the Act.

Part E: Authority's direction process

- 3.13.18 Before making a direction under paragraph 3.13.10 the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction; and
 - (c) the period during which representations may be made on the proposed direction, which will be up to 28 days unless the Authority determines that a longer period is appropriate.
- 3.13.19 The direction will set out the value of the $CAIFA_t$ term and the Regulatory Years to which that adjustment relates.

Appendix 1

Baseline Closely Associated Indirects use it or lose it allowance (£m) per Regulatory Year

	2026/27	2027/28	2028/29	2029/30	2030/31	Total
CAIA _t	92.64	92.64	92.64	92.64	92.64	463.22

Appendix 2

Further Closely Associated Indirects use it or lose it allowance (£m) per Regulatory Year

	2026/27	2027/28	2028/29	2029/30	2030/31	Total
CAIFA _t	0.00	0.00	0.00	0.00	0.00	0.00

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

Introduction

- 3.14.1 The purpose of this condition is to specify the value of the BSCR_t (the Business Support Costs Re-opener term). This contributes to the calculation of the Totex Allowance.
- 3.14.2 The effect of this condition is to establish a re-opener for the licensee to apply for a direction to adjust the value of the BSCR_t term.
- 3.14.3 This condition sets out the process the Authority will follow when making any changes to Appendix 1 as a result of the Business Support Costs Re-opener.

Part A: The value of the Business Support Costs Re-opener term (BSCR_t)

- 3.14.4 The value of BSCR_t is set out in Appendix 1.

Part B: What is the scope of this Re-opener?

- 3.14.5 For the purposes of this condition, Business Support Costs (BSC) excludes expenditure for Insurance, IT & Telecoms (Business Support), and Pension Scheme Administration & PPF levy.
- 3.14.6 The licensee may apply to the Authority for a direction adjusting the value of the BSCR_t term for any Regulatory Year during the Price Control Period as a result of actual BSC expenditure exceeding the baseline BSC allowance by at least 10% in a single Regulatory Year, in any Regulatory Year during the Price Control Period.
- 3.14.7 The licensee may submit only one application under paragraph 3.14.6 any time in the Price Control Period after meeting the threshold under paragraph 3.14.6.
- 3.14.8 An application under paragraph 3.14.6 must be made in writing and:

- (a) provide detailed supporting evidence as is reasonable in the circumstances to justify the need, options considered and cost efficiency;
- (b) set out the adjustments to the value of the BSCR_t term that the licensee is requesting and the Regulatory Years to which the proposed adjustments relate;
- (c) explain the basis of the calculation for the proposed adjustments to the value of the BSCR_t term; and
- (d) set out the specific expenditure that the licensee proposes to incur or has incurred in relation to the proposed adjustments to the value of the BSCR_t term.

3.14.9 An application under paragraph 3.14.6 must be confined to BSC costs incurred or expected to be incurred on or after 1 April 2026.

3.14.10 A direction under paragraph 3.14.6:

- (a) may amend Appendix 1; and
- (b) will set the value of the amended BSCR_t term.

3.14.11 The Authority may make a direction under paragraph 3.14.6 where:

- (a) the licensee has made an application under paragraph 3.14.6;
- (b) the requirements in paragraphs 3.14.7 to 3.14.9 have been met; and
- (c) having regard to the information submitted by the licensee, the Authority is satisfied that:
- (d) a need case for the expenditure of the type specified in paragraph 3.14.5 has been established;
- (e) the option(s) implemented are justified; and
- (f) the adjustments for allowances reflect the efficient costs to the licensee of undertaking the expenditure specified in paragraph 3.14.5.

3.14.12 Where the Authority approves all or some of the costs sought in an application under paragraph 3.14.6, the Authority shall direct an adjustment to the value of the BSCR_t term. The adjustment shall reflect the Authority's assessment of the efficient costs of undertaking the expenditure which the Authority is satisfied meets the criteria in 3.4.11.

Part C: What process will the Authority follow in making a direction?

3.14.13 Before making a direction under paragraph 3.14.6 the Authority will publish on the Authority's website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) the period during which representations may be made on the proposed direction, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

3.14.14 The direction will set out any adjustments to the value of the BSCR_t term and the Regulatory Years to which that adjustment relates.

Appendix 1

Business Support Costs Re-opener term (BSCR_t) (£m) per Regulatory Year

	2026/27	2027/28	2028/29	2029/30	2030/31	Total
BSCR _t	0.00	0.00	0.00	0.00	0.00	0.00

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

Introduction

- 3.15.1 The purpose of this condition is to calculate the terms PCF_t (the Pre-Construction Funding Price Control Deliverable term) and PCFRE_t (the Pre-Construction Funding Re-opener term). These contribute to the calculation of the Totex Allowance.
- 3.15.2 The effect of this condition is to:
- (a) specify the outputs, delivery dates, and associated allowances for the Price Control Deliverable;
 - (b) establish a Re-opener for the licensee to apply where it expects to incur more than 50% of the original allowance for Pre-Construction Works in relation to any project specified in Appendix 2;
 - (c) establish a Re-opener for the licensee to apply for costs for Pre-Construction Works in relation to any new Load Re-opener and Price Control Deliverable (LR_t) designated under Special Condition 3.18;
 - (d) establish a process for Pre-Construction Funding to be provided for proposed CSNP Re-opener Outputs designated under Special Condition 3.19 (CSNP Re-opener and Price Control Deliverable (CSNPRT));
 - (e) establish a process for Second Transitional Centralised Strategic Network Plan (tCSNP2) Delivery Track Projects to receive an uplift to the Pre-Construction Funding allowances provided during RIIO-ET2;
 - (f) establish a process for Second Transitional Centralised Strategic Network Plan (tCSNP2) Development Track Projects to receive a Pre-Construction Funding allowance if through the Second Transitional Centralised Strategic Network Plan Refresh process the project receives a maintain or critical designation by the ISOP;
 - (g) provide a process in the event that the load component of a Shared Drivers project falls away;
 - (h) account for RIIO-ET2 projects with Pre-Construction Funding that carry over into RIIO-ET3 after RIIO-ET2 closeout; and
 - (i) provide for an assessment of the Price Control Deliverable.
- 3.15.3 This condition also sets out the process the Authority will follow when directing any changes under paragraphs under this condition.

Part A: Formula for calculating the Pre-Construction Funding Price Control Deliverable term (PCF_t)

3.15.4 The value of PCF_t is derived in accordance with the following formula:

$$PCF_t = PCFA_t - PCFRA_t + PCFCt_t$$

where:

PCFA_t means the sum of allowances in Appendix 2; and

PCFRA_t has the value zero unless otherwise directed by the Authority in accordance with Part I.

PCFC_t means Pre-Construction Funding in respect of projects which commenced in RIIO-ET2 and which are ongoing in RIIO-ET3 and has the value of zero unless otherwise directed by the Authority in accordance with Part J.

3.15.5 Not used.

Part B: What the licensee is funded to deliver

3.15.6 Appendix 1 specifies the total allowance the licensee has been funded to deliver the project outputs set out in Appendix 2.

3.15.7 Appendix 2 specifies the project outputs that the licensee is funded to deliver, the delivery dates for those outputs, and the allowances provided.

3.15.8 Appendix 3 specifies; the project outputs that the licensee was funded to deliver in RIIO-ET2 and which are ongoing in RIIO-ET3, the delivery dates for those outputs, and the allowances provided.

Part C: Pre-Construction Funding Re-opener

3.15.9 This Part relates to projects set out in Appendix 2 of this condition.

3.15.10 The licensee may apply to the Authority for a direction amending the outputs, delivery dates, or associated allowances in Appendix 2 of this condition where:

- (a) the licensee expects that the costs of Pre-Construction Works specified as outputs in Appendix 2 will be more than double the allowance provided for those Pre-Construction Works; or
- (b) the licensee expects one of the outputs specified in Appendix 2 must be changed or the output will not be deliverable.

3.15.11 An application under this part must be made in writing and include:

- (a) a breakdown of what additional Pre-Construction Works are expected to be undertaken;
- (b) a breakdown of any costs already incurred and the expected costs for additional Pre-Construction Works;
- (c) an overview of the existing project for which the additional Pre-Construction Works are sought;

- (d) a justification of why the Pre-Construction Works and/or allowances are required; and
- (e) any amendments requested to the outputs, delivery dates or allowances set out in Appendix 2.
- (f) an overview of the project that additional Pre-Construction Works allowances are being sought for;
- (g) a breakdown of what Pre-Construction Works have been undertaken or are expected to be undertaken;
- (h) a breakdown of costs already incurred or expected to be incurred for the Pre-Construction Works;
- (i) the specification of any outputs, delivery dates and/or allowances that the licensee considers should be added to Appendix 2; and
- (j) a justification of why the additional Pre-Construction Works and allowances are required.

Part D: RIIO-ET3 Pre-Construction Funding for Second Transitional Centralised Strategic Network Plan Delivery Track projects

- 3.15.12 This Part relates to existing Second Transitional Centralised Strategic Network Plan Delivery Track Projects that had Pre-Construction Funding of 2.5% of their total forecast project expenditure as approved during RIIO-ET2.
- 3.15.13 Second Transitional Centralised Strategic Network Plan Delivery Track Projects that had Pre-Construction Funding of 2.5% approved during RIIO-ET2 will automatically have their Pre-Construction Funding allowance increased to 8.2% of their total forecast project expenditure (inclusive of the 2.5% allowance granted in RIIO-ET2). Second Transitional Centralised Strategic Network Plan Delivery Track Projects are eligible for funding under Part C notwithstanding the increase provided for under this paragraph.
- 3.15.14 The allowances in Appendix 2 reflect the increase as specified in 3.15.13.
- 3.15.15 The licensee may, in respect of any Delivery Track Project, apply for a direction amending the allowances, outputs, delivery dates, and outputs in Appendix 2 where:
- (a) the licensee expects that the costs of Pre-Construction Works specified as outputs in Appendix 2 will be more than double the allowance provided for those Pre-Construction Works; or
 - (b) the licensee expects one of the outputs specified in Appendix 2 must be changed or the output will not be deliverable; or
 - (c) the licensee expects to incur costs for Pre-Construction Works that are not already specified as outputs in Appendix 2.
- 3.15.16 An application under paragraph 3.15.15 must be made in writing and include:
- (a) an overview of the project that Pre-Construction Works allowances are being sought for;

- (b) a breakdown of what Pre-Construction Works have been undertaken or are expected to be undertaken;
- (c) a breakdown of costs already incurred or expected to be incurred for the Pre-Construction Works;
- (d) the specification of any outputs, delivery dates and/or allowances that the licensee considers should be added to Appendix 2; and
- (e) a justification of why the Pre-Construction Works and allowances are required.

Part E: RIIO-ET3 Pre-Construction Funding Re-opener for Second Transitional Centralised Strategic Network Plan Development Track projects

3.15.17 This Part relates only to projects that did not have funding approved on 1 April 2026 and with outputs, delivery dates or associated allowances listed in Appendix 2.

3.15.18 The licensee may, in respect of Second Transitional Centralised Strategic Network Plan Development Track Projects that received Development Funding in RIIO-ET2, apply under this Part for RIIO-ET3 Pre-Construction Funding if they are given the proceed signal by the ISOP as “maintain” or “critical” in the Second Transitional Centralised Strategic Network Plan Refresh.

3.15.19 An application under paragraph 3.15.18 must be made in writing and include:

- (a) an overview of the project that Pre-Construction Works allowances are being sought for;
- (b) a breakdown of what Pre-Construction Works have been undertaken or are expected to be undertaken;
- (c) a breakdown of costs already incurred or expected to be incurred for the Pre-Construction Works;
- (d) the specification of any outputs, delivery dates and/or allowances that the licensee considers should be added to Appendix 2; and
- (e) a justification of why the Pre-Construction Works and allowances are required.

3.15.20 Following an application under paragraph 3.15.18 the Authority may, if it considers appropriate, by direction amend existing or add new outputs, delivery dates, or allowances in Appendix 2.

Part F: RIIO-ET3 Pre-Construction Funding Re-opener for Load Re-opener Outputs

3.15.21 In respect of new Load Re-opener Outputs, the licensee may apply to the Authority for a direction amending the outputs, delivery dates, or associated allowances in Appendix 2 when submitting an Eligibility Letter for the relevant Load Re-opener as set out in Part D of Special Condition 3.18 Load Re-opener and Price Control Deliverable (LRt) unless the Authority directs that the licensee may apply another time. Projects which have proposed Load Re-opener Outputs, that did not have funding approved on 1 April 2026, may be eligible for Pre-Construction Funding.

- 3.15.22 If under paragraph 3.18.21, the Authority determines in respect of a proposed Load Re-opener Output that a licensee may apply for a Project Assessment Decision or a Needs Case assessment, the Authority will at the same time determine that the project is eligible for Pre-Construction Funding.
- 3.15.23 If the Authority determines that the project is eligible for Pre-Construction Funding, the Authority will by direction amend the outputs, delivery dates, or allowances set out in Appendix 2.
- 3.15.24 An application under paragraph 3.15.21 must be made in writing and include:
- (a) an overview of the project that Pre-Construction Works allowances are being sought for;
 - (b) a breakdown of what Pre-Construction Works have been undertaken or are expected to be undertaken;
 - (c) a breakdown of costs already incurred or expected to be incurred for the Pre-Construction Works;
 - (d) the specification of any outputs, delivery dates and/or allowances that the licensee considers should be added to Appendix 2; and
 - (e) a justification of why the Pre-Construction Works and allowances are required.

Part G: Pre-Construction Funding for proposed CSNP Re-opener Outputs

- 3.15.25 In respect of any proposed CSNP Re-opener Output, in accordance with Special Condition 3.19 (CSNP Re-opener and Price Control Deliverable (CSNP_{Rt})), the Authority will by direction or add to, the outputs, delivery dates or allowances set out in Appendix 2 without an application being made by the licensee where the Authority approves the CSNP under C.17.17 of the Electricity System Operator Licence.

Part H: Cancellation of the load component of a Shared Driver project

- 3.15.26 In the event that the load component of a Shared Driver project is cancelled the Authority will make a direction adjusting the value of the allowance associated with the relevant output in Appendix 2, and the licensee may apply for an any additional allowances for the Non-Load Related Expenditure component of the project under Special Condition 3.10.
- 3.15.27 In making a direction under 3.15.26 to adjust the value of the allowance associated with the relevant output in Appendix 2, the Authority will assess the efficient spend of the output.

Part I: Assessment of the Price Control Deliverable (PCFRA_t and PCFRO_t)

- 3.15.28 The Authority will, in accordance with the assessment criteria set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements) and the criteria in paragraph 3.15.29 consider directing a value for PCFRA_t and PCFRO_t where the licensee has not Fully Delivered an output in Appendix 2.

3.15.29 If the Authority concludes that an output specified in Appendix 2 has not been Fully Delivered, the Authority will adjust the values for $PCFRA_t$ and $PCFRO_t$ using the following criteria:

- (a) where the licensee has not submitted its formal planning application, a minimum of 20% of the allowance for the relevant Pre-Construction Works PCD allowance will be allowed;
- (b) where the licensee has submitted its formal planning application, but has not received consent in respect of the planning application, a minimum of 60% of the allowance for the relevant Pre-Construction Works PCD allowance will be allowed; and
- (c) where the licensee has obtained all necessary planning consents, 100% of the Pre-Construction Works PCD allowance will be allowed.

3.15.30 All outputs specified in Appendix 2 will be subject to an ex post review either at the end of the Price Control Period, or when full capital costs for the project are established in Special Condition 3.18 or Special Condition 3.19, whichever is earliest, in order for the Authority to direct a final value based on the above criteria or to reflect efficiently incurred expenditure above or below the value specified in Appendix 2.

3.15.31 A direction under this part will set out:

- (a) the delivery status of the output that has not been Fully Delivered;
- (b) the value of the $PCFRA_t$ and $PCFRO_t$ terms and the Regulatory Years to which those adjustments relate; and
- (c) the methodology and data that has been used to decide the delivery status and value of any adjustments to the $PCFRA_t$ and $PCFRO_t$ terms.

Part J: RIIO-ET2 projects carrying over into RIIO-ET3

3.15.32 The Authority may determine that a project that received Pre-Construction Funding in RIIO-ET2 is to have its Pre-Construction Funding extended into in RIIO-ET3.

3.15.33 The Authority will by direction add a project to which paragraph 3.15.31 applies to Appendix 3.

Part K: What process will the Authority follow in making a direction?

3.15.34 Before making a direction under this condition the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

3.15.35 A direction under paragraphs 3.15.10, 3.15.15, 3.15.20, and 3.15.26 will set out any amendments to Appendix 2.

3.15.36 A direction under Part J will set out any amendments to Appendix 3.

3.15.37 A direction under paragraph 3.15.21 will set out:

- (a) the delivery status of the output that has not been Fully Delivered;
- (b) the value of the PCFRA_t and PCFRO_t terms and the Regulatory Years to which those adjustments relate; and
- (c) the methodology and data that has been used to decide the delivery status and value of any adjustments to the PCFRA_t and PCFRO_t terms.

Appendix 1

Pre-Construction Funding allowance (PCFA_t) (£m)

Total: 300.14

Appendix 2

Pre-Construction Funding Price Control Deliverable Allowance (PCF_t) (£m)

EJP OSR	Output	Delivery date	2026 /27	2027 /28	2028 /29	2029 /30	2030 /31	Total Allowance
NGT500 440	Barking	31 March 2031	3.12	3.09	3.06	3.03	3.00	15.31
NGT500 538	East Claydon Rebuild	31 March 2031	4.52	4.47	4.43	4.38	4.34	22.14
NGT500 435	Fawley Strategy (Chilling - Fawley and Fawley S/S)	31 March 2031	5.09	5.04	4.99	4.94	4.89	24.94
NGT500 387	KEGWORTH 400KV S/S	31 March 2031	3.17	3.14	3.11	3.08	3.04	15.54
103632- 207168	Kirkstall 'A' - Skelton Grange Cable Replacement	31 March 2031	1.32	1.31	1.30	1.28	1.27	6.48
NGT500 541	Llandyfaelog (Camarthan) New Build	31 March 2031	5.27	5.21	5.16	5.11	5.06	25.81
NGT500 117	New Navenby 400kv S/S	31 March 2031	2.47	2.44	2.42	2.39	2.37	12.09
NGT400 034	Pembroke 400kv S/S	31 March 2031	2.42	2.39	2.37	2.35	2.32	11.86
NGT300 007	Sizewell 400kv Rebuild	31 March 2031	5.99	5.93	5.87	5.81	5.75	29.34
NGT500 439	St Johns Wood 275 kV Rationalisation	31 March 2031	0.95	0.94	0.93	0.92	0.91	4.66
103622- 207157	West London Cables Strategy (Ealing - Laleham, Iver - North Hyde, Ealing Willesden)	31 March 2031	4.29	4.24	4.20	4.16	4.12	21.00
NGT500 381	WILLINGTON EAST 400KV S/S	31 March 2031	2.15	2.13	2.11	2.08	2.06	10.53
NGT500 381	WILLINGTON EAST 400KV S/S - Construction	31 March 2031	2.15	2.13	2.11	2.08	2.06	10.53

NGT500 472	DEESIDE - LEGACY - TRAWSFYNYDD 1, DEESIDE - LEGACY - TRAWSFYNYDD 2, IRONBRIDGE - LEGACY - SHREWSBURY, IRONBRIDGE - LEGACY 2	31 March 2031	2.82	2.79	2.77	2.74	2.71	13.83
NGT300 086	Ickenham HS2 - OHL and Cable Turn In/Tee Infrastructure	31 March 2031	0.00	0.00	0.00	0.00	0.00	0.00
NGT300 088	Ickenham HS2 - Substation Infrastructure	31 March 2031	0.88	0.87	0.86	0.85	0.84	4.31
NGT300 087	Ickenham HS2 Connection Work	31 March 2031	0.68	0.67	0.66	0.66	0.65	3.32
NGT500 135	MIDL4 ENWL GSP BB Ext / SGTs / Turn-in	31 March 2031	1.26	1.25	1.24	1.22	1.21	6.19
NGT500 614	MIDL4 Green Energy Centre IRL Gen Bay	31 March 2031	0.00	0.00	0.00	0.00	0.00	0.00
NGT500 560	MIDL4 ENWL GSP BB Ext / SGTs / Turn-in	31 March 2031	0.46	0.46	0.45	0.45	0.44	2.27
NGT500 561	ENWL MIDL4 GSP CONNECTION	31 March 2031	0.25	0.25	0.25	0.25	0.24	1.24
NGT500 562	ENWL MIDL4 GSP Intertrip	31 March 2031	0.00	0.00	0.00	0.00	0.00	0.00
NGT500 468	NS Hinksey Cable	31 March 2031	1.55	1.53	1.52	1.50	1.49	7.58
NGT200 54	Quainton HS2 - OHL and Substation Infrast	31 March 2031	0.99	0.98	0.97	0.96	0.95	4.85
NGT200 52_01	Quainton HS2 Connection Assets - Sub wor	31 March 2031	0.61	0.60	0.60	0.59	0.58	2.98
103623- 207158	Imperial Park - Melksham and Cilfynydd - Whitson - Seabank – Construction	31 March 2031	5.92	5.87	5.81	5.75	5.69	29.04
tCSNP2	Feckenham to Minety 400kV A589 Circuit Reconductoring	31 March 2031	0.81	0.81	0.80	0.79	0.78	3.99
tCSNP2	Reconductoring of Carrington - Penwortham & Padiham - Penwortham 400kV circuits	31 March 2031	0.85	0.84	0.83	0.83	0.82	4.17
tCSNP2	Reconfigure Stalybridge - Thorpe Marsh 400kV circuit	31 March 2031	1.48	1.46	1.45	1.43	1.42	7.23
tCSNP2	Reconductor double circuits Norton “ Osbalwick (A347 & A355)	31 March 2031	1.93	1.91	1.89	1.87	1.85	9.45

Appendix 3

Pre-Construction Funding cross-over allowance (PCFC_t) (£m)

Output	Delivery date	2026/27	2027/28	2028/29	2029/30	2030/31	Total Allowance

Special Condition 3.16 Advanced Procurement Mechanism (APM) Allowance and APM Re-opener (APM_t)

Introduction

3.16.1 The purpose of this condition is to calculate APM_t (the APM Allowance term), which contributes to the calculation of the Totex Allowance.

3.16.2 The effect of this condition is to:

- (a) specify the APM Allowance;
- (b) provide for an APM Allowance adjustment;
- (c) require the licensee to submit specified information in relation to use of the APM Allowance;
- (d) provide for disallowance of ineligible APM Expenditure under the APM Allowance;
- (e) set out the process the Authority will follow when directing any changes to the appendices to this condition and when issuing or amending the APM Governance Document; and
- (f) require the licensee to comply with the APM Governance Document.

Part A: Formula for calculating the APM Allowance term (APM_t)

3.16.3 The value of APM_t is derived in accordance with the following formula:

$$APM_t = \min \left((APMS_t - APMR_t), \max \left(\left(APMC_t - \sum_{2024/25}^{t-1} (APMS_t - APMR_t) \right), 0 \right) \right) - APMD_t$$

where:

- APM_t means the APM Allowance term;
- $APMS_t$ has the meaning given to APM Expenditure;
- $APMD_t$ has the meaning given to APM Disallowances;
- $APMR_t$ has the meaning given to APM Recovered Expenditure; and
- $APMC_t$ has the meaning given to the APM Cap.

Part B: APM Re-opener of APM Cost Categories

- 3.16.4 The licensee may apply to the Authority to make amendments to the APM Governance Document by direction with respect to additions of new, or modifications of existing, APM Cost Categories.
- 3.16.5 Any application under this Part must be made in writing to the Authority and must include, for each proposed new APM Cost Category or amendment to an existing APM Cost Category:
- (a) an explanation of how the proposed inclusion or amendment of this APM Cost Category will help to avoid delays to project delivery or increased project costs;
 - (b) whether the APM Cost Category is being proposed as Flexible Procurement or Bespoke Procurement, and evidence to justify any proposed categorisation;
 - (c) an explanation of how the licensee will undertake tracking of expenditure of any relevant APM Allowance (including as part of any complex contractual arrangements) to ensure that it can comply with the reporting requirements as set out in Part G; and
 - (d) any further information as may be required by the APM Governance Document.
- 3.16.6 An application under this Part may only be submitted during the first five working days of April 2026, April 2027, April 2028, April 2029 or April 2030, or during such other periods as the Authority may direct.
- 3.16.7 The Authority will make a direction adding new APM Cost Categories to the APM Governance Document for any proposed APM Cost Category for which it considers that the requirements under paragraph 3.16.5 have been satisfied. The Authority will make a direction to modify existing APM Cost Categories where it considers that the updated APM Cost Category satisfies the requirements under paragraph 3.16.5.

Part C: APM Re-opener of Bespoke Procurement allowances

- 3.16.8 The licensee may apply to the Authority to make amendments to the value of the Bespoke Procurement allowance in Appendix 2 by direction.
- 3.16.9 Any application under this Part must be made in writing to the Authority and must include, for each project for which the licensee is submitting an application for a re-opener under this Part:
- (a) project details, including project timelines, to assist identification of the relevant investment and for understanding the need for APM funding and the likelihood that Equipment or Related Services are not used following their procurement;
 - (b) details of the relevant APM Cost Categories included in the request for Bespoke Procurement allowances, and details of how the eligibility criteria as specified in paragraph 3.16.5 are satisfied; and
 - (c) a spreadsheet setting out the licensee's calculation of the value of the proposed amendment.

- 3.16.1 An APM Re-opener application under this Part may only be submitted during the first five working days of April 2026, April 2027, April 2028, April 2029 or April 2030, or during such other periods as the Authority may direct.
- 3.16.2 The Authority will make a direction amending the value in Appendix 2 where it considers that the requirements in paragraph 3.16.9 have been satisfied.

Part D: APM Re-opener of the APM Cap

- 3.16.3 The licensee may apply to the Authority to make amendments to the value of the APM Cap (APMC_t) in Appendix 1.
- 3.16.4 Any application under this Part must be made in writing to the Authority and must include, for each proposed amendment to the value in Appendix 1:
- (a) details setting out why the APM Cap is insufficient to enable the licensee to procure effectively;
 - (b) details setting out why an amended APM Cap would be to the benefit of consumers or, if none, would not harm the interests of consumers;
 - (c) details regarding the progress towards regulatory approval of projects for which the APM Allowance has been used to procure; and
 - (d) any further information as may be required by the APM Governance Document.
- 3.16.5 An APM Re-opener application under this Part may only be submitted during the first five working days of April 2026, April 2027, April 2028, April 2029 or April 2030, or such other time as the Authority may direct.
- 3.16.6 A modification under this Part will be made under section 11A of the Act.

Part E: Authority-triggered Re-opener

- 3.16.7 The Authority may make amendments to any APM Cost Category by direction where:
- (a) with respect to the addition of a potential new APM Cost Category, it considers that the proposed amendment will help to avoid delays to project delivery or increased project costs;
 - (b) with respect to the modification of an existing APM Cost Category, it considers that the updated APM Cost Category will help to avoid delays to project delivery or increased project costs; or
 - (c) with respect to removal of an existing APM Cost Category, it considers that the inclusion of this APM Cost Category has ceased to help to avoid delays to project delivery or increased project costs.
- 3.16.8 Where an APM Cost Category is removed, any procurement undertaken prior to the date on which the Authority publishes a consultation to propose the removal of that APM Cost Category would remain eligible for APM Allowances.
- 3.16.9 The Authority may amend the value shown in Appendix 2 by direction where the licensee reports through the Regulatory Reporting Pack that a portion of the Bespoke Procurement allowance specified in Appendix 2 has been allocated to

the APMR_t since the previous Regulatory Reporting Pack submission. In such instances the amendment of the value shown in Appendix 2 directed by the Authority will be equal to the portion of the Bespoke Procurement allowance that has been allocated to the APMR_t since the previous Regulatory Reporting Pack submission.

- 3.16.10 The Authority may increase the value of APMC_t in Appendix 1 by amendment under section 11A of the Act where it considers that such an amendment is required so that the licensee has sufficient APMC_t available to make APM Expenditure at the scale required to avoid (i) delays to project delivery or (ii) increased project costs.
- 3.16.11 The Authority may decrease APMC_t in Appendix 1 by amendment under section 11A of the Act where it considers that such an amendment is required so that APMC_t is not significantly in excess of what is required to make APM Expenditure at the scale required to avoid (i) delays to project delivery or (ii) increased project costs.

Part F: Process the Authority will follow in making a direction

3.16.12 Before making a direction under Part B, Part C or paragraphs 3.16.7 to 3.16.9, the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction, excluding any Confidential Information;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

3.16.13 Before making a decision to refuse to make a direction under Part B or Part C, the Authority will publish on the Authority's Website:

- (a) the reasons for the decision not to make the proposed direction, excluding any Confidential Information; and
- (b) a period during which representations may be made on the proposed decision to refuse the direction, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

Part G: Reporting requirements

3.16.14 To inform calculation of APMS_t, the licensee must report any expenditure it has incurred against the APM Allowance to the Authority through the Regulatory Reporting Pack for each Regulatory Year. The information required in relation to APMS_t through the Regulatory Reporting Pack will include:

- (a) the relevant APM Cost Categories the expenditure has been incurred against;
- (b) the number of units procured against each APM Cost Category;
- (c) the relevant APM Allowance that has been spent to secure procurement, split by APM Cost Category;

- (d) the expected delivery date for the Equipment or Related Services, or range of delivery dates permitted under the contract(s);
- (e) the named project that the Equipment or Related Services is intended be allocated to, where known;
- (f) any given contractual commitments or milestones;
- (g) forecast final total cost for delivery of the relevant Equipment or Related Services; and
- (h) any other information which the Authority may require.

3.16.15 To inform the calculation of $APMR_t$, the licensee must report any allocation of APM-procured Equipment or Related Services to a project to the Authority through the Regulatory Reporting Pack for each Regulatory Year. The information required through the Regulatory Reporting Pack in relation to $APMR_t$ in the Regulatory Reporting Pack will include:

- (a) Ofgem scheme reference;
- (b) project reference and scheme name;
- (c) relevant funding mechanism and licence condition;
- (d) APM contract reference as given in the APM Register;
- (e) APM Cost Category;
- (f) the number of units procured against each APM Cost Category;
- (g) the total APM Allowance that was spent to secure those units; and
- (h) any other information which the Authority may require.

3.16.16 As part of the Regulatory Reporting Pack submission for the Regulatory Year commencing on 1 April 2025, which takes place during the Regulatory Year commencing on 1 April 2026, licensees must include the information required in this Part in relation to the Regulatory Year commencing on 1 April 2024.

Part H: Status of expenditure

3.16.17 No determination of an allowance specified in Appendix 1, 2 or 3 constitutes approval by the Authority of any project in respect of which the allowance has been used to procure Equipment or Related Services.

Part I: Ineligible APM Expenditure

3.16.18 The Authority may modify the value of $APMD_t$ in Appendix 3 to disallow APM Expenditure where the licensee:

- (a) procured Equipment or Related Services using its APM Allowance in a manner which did not constitute Flexible Procurement or Bespoke Procurement;
- (b) procured equipment or services which do not fall within the definitions of Equipment and Related Services because, at the time of the procurement, they did not fall within one or more APM Cost Category;
- (c) has not used (by allocating to a project as is reported under the requirements set out at paragraph 3.16.15) 25% or more of the Equipment or Related Services it procured in the five-year period since the APM Expenditure was incurred, and where the

Authority considers that the volume of Equipment or Related Services was significantly greater than what it was reasonable to expect the licensee to have procured given the information available to the licensee at the time the APM Expenditure was incurred;

- (d) procured services for which use of the services was not possible to link to an APM Cost Category;
- (e) procured Equipment or Related Services for a project which had, at the date of procurement, been designated for delivery by a competitive appointed transmission owner;
- (f) procured Equipment or Related Services for a project where the licensee has also received Early Construction Funding as provided for in Special Condition 3.21;
- (g) is able to benefit financially from novating or otherwise transferring procurement undertaken through the APM to another licensee or a third party;
- (h) has made use of APM Expenditure for which it has not provided the Authority with, either through Regulatory Reporting Packs or upon request, sufficient information for the Authority to achieve confidence that the licensee has not already received Authority funding for these activities; or
- (i) has already received funding, of which the Authority has become aware, for the same activity as the Authority might otherwise have allowed under the APM Allowance.

3.16.19 The licensee is only eligible to recover, on average (arithmetic mean) across the portfolio of APM Cost Categories, 20% of the expected cost of the Equipment or Related Services procured using the APM. The Authority may disallow expenditure above 20%. This average will be calculated for a period of three Regulatory Years, using data submitted through the Regulatory Reporting Packs. The Authority will review licensee performance against this requirement following submission of Regulatory Reporting Packs following the end of each Regulatory Year.

3.16.20 A modification under this Part will be made under section 11A of the Act.

Part J: APM Governance Document

3.16.21 The licensee must comply with the APM Governance Document when incurring expenditure against the APM Allowance.

3.16.22 The Authority will issue and amend the APM Governance Document by direction.

3.16.23 The Authority will publish the APM Governance Document on the Authority's Website, excluding any Confidential Information.

3.16.24 The APM Governance Document will make provision about the governance and administration of the APM Allowance and APM Re-opener, including:

- (a) the eligibility criteria in respect of expenditure incurred in relation to the allowance provided by this licence condition and what evidence the licensee should provide to show that the criteria are satisfied;

- (b) the operation of the APM Re-openers including what information the licensee should provide when applying for any APM Re-opener;
- (c) the reporting obligations in respect of expenditure incurred in relation to the APM;
- (d) information and guidance with respect to interactions with projects designated for delivery by a competitive appointed transmission owner, ASTI, and any other related regulatory frameworks as specified in the APM Governance Document; and
- (e) the list of APM Cost Categories, including a specification as to which APM Cost Categories relate only to Bespoke Procurement.

3.16.25 Before the Authority directs that the APM Governance Document comes into effect, the Authority will publish on the Authority's Website:

- (a) the text of the proposed APM Governance Document, excluding any Confidential Information;
- (b) the date on which the Authority intends the APM Governance Document to come into effect; and
- (c) a period during which representations may be made on the content of the APM Governance Document, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

3.16.26 Before directing an amendment to the APM Governance Document, the Authority will publish on the Authority's Website:

- (a) the text of the amended APM Governance Document, excluding any Confidential Information;
- (b) the date on which the Authority intends the amended APM Governance Document to come into effect;
- (c) the reasons for the amendments to the APM Governance Document; and
- (d) a period during which representations may be made on the amendments to the APM Governance Document, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

Appendix 1 (confidential)

Values of APMC_t

	Value of term (£m)
APMC _t	Has the value given in the APM Register

Appendix 2 (confidential)

Bespoke Procurement allowance

Value of Bespoke Procurement allowance (£m)
Has the value given in the APM Register

Appendix 3 (confidential)

Value of APMD_t

Term	APMD _t value (£m)
APMD _t	Has the value given in the APM Register

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

Introduction

3.17.1 The purpose of this condition is to calculate the term LI_t (the load investment term). This contributes to the calculation of the Totex Allowance.

3.17.2 The effect of this condition is to:

- (a) specify the associated allowance for the load investment use it or lose it allowance;
- (b) specify eligibility criteria for projects;
- (c) require the licensee to comply with the Load UIOLI Governance Document;
- (d) explain the process the Authority will follow when issuing or amending the Load UIOLI Governance Document; and
- (e) provide for a Use It Or Lose It Adjustment.

Part A: Formula for calculating the load investment term (LI_t)

3.17.3 The value of LI_t is derived in accordance with the following formula:

$$LI_t = \min (LIE_t, LIC - \sum_{t=2026/27}^{t-1} LIP_t) - LID_t$$

where:

- LIC means the total value of the licensee's expenditure cap for the load use it or lose it allowance for the Price Control Period set out in Appendix 1;
- LIE_t means the licensee's expenditure on load use it or lose it allowance projects that the licensee reports to the Authority it has incurred that Regulatory Year for the preceding year of the RIIO-ET3 price control; and
- LIP_t means the licensee's expenditure on load use it or lose it allowance projects that the licensee has reported to the Authority for previous Regulatory Years of the Price Control Period.
- LID_t has the value zero unless otherwise directed by the Authority in accordance with Part D.

Part B: Eligibility Criteria

3.17.4 The licensee may use the load use it or lose it allowance for any eligible project, as set out at paragraph 3.17.5.

3.17.5 For a project to be eligible under this condition, the licensee must ensure that any expenditure incurred relates only to projects that have a total forecast cost of £40m or less and are in relation to one or more of the following activities:

- (a) Generation Connection projects, including all infrastructure related to that project, that are defined as atypical generation projects under Special Condition 3.11 Part B;
- (b) Demand Connection projects, including all infrastructure related to that project, that are defined as atypical demand connection projects under Special Condition 3.12 Part B;
- (c) projects requested in writing by the ISOP relating to their determination that a system operability, constraint management, OMW connection project or substation work is required to accommodate embedded generation;
- (d) projects that are required in order to meet NETS SQSS requirements regarding security, or system operability;
- (e) Harmonic Filtering projects that are needed following requests from the licensee's customers to aggregate and deliver Harmonic Filtering requirements or system studies by the ISOP or the licensee showing a need for additional Harmonic Filtering on the National Electricity Transmission System;
- (f) protection projects that are needed following system studies by the ISOP or the licensee showing a need for changes to the protection settings or replacement of protection relay with inadequate range, a need for dynamic line ratings or a need for an operational intertrip;
- (g) load related projects identified and requested in writing by the ISOP; and
- (h) Operational Load Management Schemes, subject to the receipt of a STC planning request.
- (i) Site Separation projects due to power station closure.

Part C: Load UIOLI Governance Document

3.17.6 The licensee must comply with the Load UIOLI Governance Document when incurring expenditure in relation to the allowance provided by this licence condition.

3.17.7 The Authority will issue and amend the Load UIOLI Governance Document by direction.

3.17.8 The Authority will publish the Load UIOLI Governance Document on the Authority's Website.

3.17.9 The Load UIOLI Governance Document will make provision about the governance and administration of the load use it or lose it allowance including the reporting obligations in respect of expenditure incurred in relation to load investment which the licensee must meet.

3.17.10 Before the Authority directs that the Load UIOLI Governance Document comes into effect, the Authority will publish on the Authority's Website:

- (a) the text of the proposed Load UIOLI Governance Document;

- (b) the date on which the Authority intends the Load UIOLI Governance Document to come into effect; and
- (c) the period during which representations may be made on the content of the Load UIOLI Governance Document, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

3.17.11 Before directing an amendment to the Load UIOLI Governance Document, the Authority will publish on the Authority's Website:

- (a) the text of the amended Load UIOLI Governance Document;
- (b) the reasons for amendments to the Load UIOLI Governance Document;
- (c) the date on which the Authority intends the amended Load UIOLI Governance Document to come into effect; and
- (d) the period during which representations may be made on the amendments to the Load UIOLI Governance Document, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

Part D: Use It Or Lose It Adjustment

3.17.12 The Authority will direct an amendment to the value of LIR_t , where it considers that a Use It Or Lose It Adjustment is appropriate because the licensee has failed to comply with the requirements set out in the Load UIOLI Governance Document.

Part E: Authority's direction process

3.17.13 Before making a direction under paragraph 3.17.12, the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) the period during which representations may be made on the proposed direction, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

3.17.14 The direction will set out the value of the LIR_t term and the Regulatory Years to which that adjustment relates.

Appendix 1

Load UIOLI allowance cap (LIC) (£m)

	Total
NGET	582.10

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

Introduction

- 3.18.1 The purpose of this condition is to specify the value of the term LR_t (the Load Re-opener term). This contributes to the calculation of the Totex Allowance.
- 3.18.2 The effect of this condition is to:
- (a) specify the Load Re-opener Outputs, delivery dates and allowances for the Price Control Deliverable (Part B);
 - (b) establish a Re-opener for the licensee to apply for a Project Assessment Decision (Part C);
 - (c) specify the requirements or exemptions for an Eligibility Letter submission to the Authority ahead of any application for a Project Assessment Decision (Part D);
 - (d) specify the requirements or exemptions for approval of the Needs Case by the Authority ahead of any application for a Project Assessment Decision (Part E)
 - (e) provide for a decision in relation to a Cost and Output Adjusting Event (Part F);
 - (f) Provide for modification of the delivery dates in Appendix 1 to reflect any adjustments made in Special Condition 4.8 Major Projects output delivery incentive (Part G)
 - (g) provide for an assessment of the Price Control Deliverable (Part H); and
 - (h) establish the Load Re-opener Guidance and Submission Requirements Document (Part J).
- 3.18.3 This condition also sets out the process the Authority will follow when making any changes to Appendix 1 following a Project Assessment Decision by the Authority with respect to Part C.

Part A: Formula for calculating the load Re-opener allowance term (LR_t)

- 3.18.4 The value of LR_t is derived in accordance with the following formula:

$$LR_t = LRA_t - LRAA_t$$

where:

LRA_t means the sum of allowances in year t in Appendix 1; and

LRAA_t has the value zero unless otherwise directed by the Authority in accordance with Part H.

Part B: Load Re-opener Outputs

- 3.18.5 Appendix 1 specifies the outputs that must be Fully Delivered by the licensee by the delivery dates and the allowances associated with those outputs.
- 3.18.6 Load Re-opener Outputs must be Fully Delivered by the licensee by the delivery dates specified in Appendix 1.

Part C: Project Assessment Decision and pre-application requirements

3.18.7 The licensee may apply to the Authority for a Project Assessment Decision and an associated modification of Appendix 1 to establish:

- (a) a Load Re-opener Output;
- (b) a delivery date for a Load Re-opener Output; and
- (c) associated allowances.

3.18.8 In any application for a proposed modification under this Part, the licensee must set out the information as specified in the Load Re-opener Guidance and Submission Requirements Document.

3.18.9 Before applying for a Project Assessment Decision under paragraph 3.18.77 the licensee must:

(a) obtain:

- i. approval of eligibility to apply as provided for in Part D, unless relieved of this requirement by the Authority in RIIO-3 Final Determinations or otherwise directed by the Authority under Part D; or
- ii. the Authority's approval of Needs Case as provided for in Part E, unless relieved of this requirement by the Authority in RIIO-3 Final Determinations or otherwise directed by the Authority under Part D.

(b) confirm all material planning consent applications, in instances where these consents are required, have been submitted, unless relieved of this requirement by the Authority.

3.18.10 The licensee may apply to the Authority for a Project Assessment Decision and an associated modification of Appendix 1, in each of the Regulatory Years of the Price Control Period in:

- (a) The first five working days in April in the regulatory years 2027/28 to 2030/2031;
- (b) The first five working days in October in the regulatory years 2026/27 to 2030/2031;
- (c) 5-8 May 2026 in the regulatory year 2026/27 only; or
- (d) as otherwise directed by the Authority.

3.18.11 Any modification under this Part will be made under section 11A of the Act.

3.18.12 The Authority will aim to provide its decision to the licensee on a Project Assessment Decision in writing within six months of receipt.

Part D: Eligibility Letter

3.18.13 The licensee must submit an Eligibility Letter to the Authority for a proposed Load Re-opener Output ahead of any application for a Project Assessment Decision under Part C of this condition, unless relieved of this requirement by the Authority after RIIO-3 Final Determinations or otherwise directed by the Authority.

3.18.14 When submitting an Eligibility Letter for a proposed Load Re-opener Output, the licensee must comply with the requirements set out in the Load Re-opener Guidance and Submission Requirements Document.

3.18.15 Following the receipt of an Eligibility Letter for a proposed Load Re-Opener Output, the Authority will determine whether the licensee may next apply for:

(a) a Project Assessment Decision under Part C, following Authority approval of the Needs Case, optioneering and preferred solution presented in the Eligibility Letter; or

(b) approval of a Needs Case from the Authority under Part E before a Project Assessment Decision under Part C.

3.18.16 The licensee may submit an Eligibility Letter to the Authority, in each of the Regulatory Years of the Price Control Period in:

(a) The first five working days in April in the regulatory years 2027/28 – 2030/31;

(b) The first five working days in October in the regulatory years 2026/27 – 2030/31;

(c) 5-8 May in the regulatory years 2026/27 only; or

(d) as otherwise directed by the Authority

3.18.17 The Authority will aim to provide its decision under 3.18.15(a) in writing within six months, and its decision under 3.18.15(b) in writing within three months.

Part E: Needs Case

3.18.18 The licensee must submit a Needs Case to the Authority, if the Authority:

(a) determines that a Needs Case is required under Part D or

(b) otherwise directs that a Needs Case is required.

3.18.19 If the Authority directs that a Needs Case is required under paragraph 3.18.15 it will publish its reasons in writing as set out under 3.18.17.

3.18.20 When submitting a Needs Case, the licensee must comply with the requirements set out in the Load Re-opener Guidance and Submission Requirements Document.

3.18.21 A Needs Case must be submitted prior to the licensee's intended date for issuing its Final Planning Consultation, unless otherwise directed by the Authority.

3.18.22 The Authority will aim to provide its decision on a Needs Case in writing within six months of receipt.

Part F: Cost And Output Adjusting Event

3.18.23 The licensee may apply to the Authority under this Part for a modification to the Load Re-opener Output or allowances in Appendix 1 where it considers there has been one or more Cost And Output Adjusting Event.

3.18.24 The licensee may only apply for a modification under this Part to adjust allowances in Appendix 1 where:

- (a) expenditure has increased or decreased by at least the percentage specified in paragraph 3.18.26, relative to the relevant allowance in Appendix 1 because of the Cost And Output Adjusting Event;
- (b) the increase or decrease in expenditure is expected to be efficiently incurred or saved;
- (c) a modification is required to maintain, so far as is reasonably practicable, the financial position of the licensee as if the Cost And Output Adjusting Event had not occurred; and
- (d) the licensee could not have either:
 - i. reasonably foreseen the Cost And Output Adjusting Event or Cost And Output Adjusting Events; or
 - ii. economically and efficiently planned a contingency for the Cost And Output Adjusting Event.

3.18.25 The licensee may apply under this Part to modify the Load Re-opener Outputs in Appendix 1 only where there is a significant change to the scope of the relevant Load Re-opener Output.

3.18.26 The percentage referred to in paragraph 3.18.24(a) is:

- (a) 10%; or
- (b) such other percentage as the Authority may specify by direction.

3.18.27 The percentage threshold in paragraph 3.18.24 (a) is calculated before the application of the Totex Incentive Mechanism Rate.

3.18.28 Where there has been more than one Cost And Output Adjusting Event, the licensee may apply for those events as a single Cost And Output Adjusting Event if the Authority has directed that the events in relation to the relevant Load Re-opener Output should count cumulatively towards the percentage threshold.

3.18.29 Unless the Authority otherwise directs, the licensee must make any application under this Part no later than three months after the delivery date for the Load Re-opener Output.

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

- (a) include detailed supporting evidence that a Cost And Output Adjusting Event has occurred which meets the requirements set out in paragraph 3.18.24 or paragraph 3.18.25;
- (b) set out any amendments requested to the Load Re-opener Output or associated allowances in Appendix 1 or Appendix 2;
- (c) where applicable, explain the basis of the calculation for any proposed adjustment to the allowances in Appendix 1; and
- (d) include a statement from a technical adviser stating that, considered in the context of the value of the Load Re-opener Output, the proposed adjustments to the Load Re-

opener Output or associated allowances reasonably reflect the effects of the Cost And Output Adjusting Event.

3.18.31 A technical adviser referred to in paragraph 3.18.30(d) will be:

- (a) the relevant Independent Technical Adviser if one has been appointed under Special Condition 6.2 (Independent Technical Adviser) for the Load Re-opener Output; or
- (b) if an Independent Technical Adviser has not been appointed for the Load Re-opener Output, a technical adviser who is external to and independent from the licensee.

3.18.32 The Authority may make a modification under this Part where:

- (a) there has been an application under this Part;
- (b) there has been a Cost And Output Adjusting Event in relation to the relevant Load Re-opener Output; and
- (c) the requirements of paragraphs 3.18.24 to 3.18.30, have been met.

3.18.33 A modification under this Part will be made under section 11A of the Act.

Part G: Modification of delivery date in Appendix 1 further to a Major Projects ODI-F Target Delivery Date or Major Projects Penalty Exemption Period decision under Special Condition 4.8 (Major Projects output delivery incentive)

3.18.34 The Authority will modify the delivery dates in Appendix 1 for a Load Re-opener Output where it decides under Special Condition 4.8 (Major Projects output delivery incentive) to make a modification to the Major Projects ODI-F Penalty Exemption Period and/or Major Projects ODI-F Target Delivery Date which applies to a Load Re-opener Output.

3.18.35 A modification under this Part will be made under section 11A of the Act.

Part H: Assessment of the Price Control Deliverable (LR_t)

3.18.36 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for LR_{AAt} where the licensee has not Fully Delivered an output in Appendix 1.

Part I: Process the Authority will follow in making a direction.

3.18.37 Before making a direction under Part H the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) the period during which representations may be made on the proposed direction, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

3.18.38 A direction in respect of Part H will set out:

- (a) the delivery status of the Load Re-opener Output that has not been Fully Delivered;

- (b) the value of the LRt term and the Regulatory Years to which that adjustment relates; and
- (c) the methodology and data that has been used to decide the delivery status and value of any adjustments to the LRt term.

Part J: Load Re-opener Guidance and Submission Requirements Document

- 3.18.39 The licensee must comply with the Load Re-opener Guidance and Submission Requirements Document when making an application under Part C, Part F, or Part G or if seeking approval under Part D or Part E.
- 3.18.40 The Authority will issue and amend the Load Re-opener Guidance and Submission Requirements Document by direction.
- 3.18.41 The Authority will publish the Load Re-opener Guidance and Submission Requirements Document on the Authority's Website.
- 3.18.42 The Load Re-opener Guidance and Submission Requirements Document will make provision about the detailed requirements.
- 3.18.43 Before the Authority directs that the Load Re-opener Guidance and Submission Requirements Document comes into effect, the Authority will publish on the Authority's Website:
 - (a) the text of the proposed the Load Re-opener Guidance and Submission Requirements Document.
 - (b) the date on which the Authority intends the the Load Re-opener Guidance and Submission Requirements Document to come into effect; and
 - (c) the period during which representations may be made on the text of the proposed the Load Re-opener Guidance and Submission Requirements Document, which will be up to 28 days unless the Authority determines that a longer period is appropriate.
- 3.18.44 Before the Authority directs that an amendment to the the Load Re-opener Guidance and Submission Requirements Document be made, the Authority will publish on the Authority's Website:
 - (a) the text of the amended the Load Re-opener Guidance and Submission Requirements Document;
 - (b) the date on which the Authority intends the amended the Load Re-opener Guidance and Submission Requirements Document to come into effect;
 - (c) the reasons for the amendments to the the Load Re-opener Guidance and Submission Requirements Document; and
 - (d) the period during which representations may be made on the amendments to the the Load Re-opener Guidance and Submission Requirements Document, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

Appendix 1

Load Re-opener Outputs and allowances (LRA_t)(£m)

Project name	Outputs	Delivery date	2026 /27	2027 /28	2028 /29	2029 /30	2030 /31	Total
Leiston 132kV Substation Connection	Complete demand connection for Sizewell C at Leiston 132kV Substation	30 June 2026	1.29	0.00	0.00	0.00	0.00	1.29
Willesden Microsoft Data Centre Connection	Complete demand connection to Microsoft Data Centre at Kensal Green 400kV and Willesden 400kV and 66kV substations	30 August 2027	0.00	0.00	0.00	0.00	0.00	0.00
Necton 400kV Substation Connection	Extend the existing 400kV Necton substation by 12 bays and amend the OHL from a double-tee to double turn-in arrangement to connect three offshore windfarms	30 April 2027	6.95	0.00	0.00	0.00	0.00	6.95
NGET Pathfinder - Yaxley	Installation of a substation bay and associated works at Yaxley to connect Conrad Energy's NESO Pathfinder solutions	30 November 2026	0.36	0.00	0.00	0.00	0.00	0.36
NGET Pathfinder - East Anglia OTS	Deliver upgrades to East Anglia OTS to trip/de-load generation customers at multiple sites as	30 June 2026	2.44	0.12	0.00	0.00	0.00	2.56

	well as upgrade monitoring across the region							
NGET Heysham OPS scheme for ENWL	Deliver upgrades at Heysham GSP to facilitate the connection of 130.5MW of embedded generation via ENWL's network	31 August 2026	0.00	0.00	0.00	0.00	0.00	0.00
NGET Penrhos 132kV site strategy	Construct a new 132kV 8-bay substation for installing at Penrhos for connecting both Eclipse Power Networks and Mentor Mon	30 June 2028	52.95	14.05	0.10	0.00	0.00	67.11
NGET Wallend	Construct a new 10-bay 400kV substation and a double circuit turn in off the 4TK OHL route via two new towers to connect two interconnector customers and one BESS facility	13 May 2027	24.00	9.52	1.59	0.58	0.00	35.69
Anglo Scottish Operational Tripping System	Deliver extensions to the Line End Open scheme of the Anglo Scottish OTS.	31 March 2027	1.99	0.00	0.00	0.00	0.00	1.99
Central Pathfinders – Walpole	Extension of the substation and associated works at Walpole to connect Conrad Energy's NESO Pathfinder solutions	30 October 2026	4.14	0.00	0.00	0.00	0.00	4.14

Cilfynydd Pathfinder	Substation extensions to accommodate stability service connections at Cilfynydd 400kV substation	30 September 2026	2.00	0.00	0.00	0.00	0.00	2.00
Swansea North Pathfinder	Substation extensions to accommodate stability service connections at Swansea North 400kV substation	30 June 2027	3.62	0.00	0.00	0.00	0.00	3.62
Upper Boat Pathfinder	Substation extensions to accommodate stability service connections at Upper Boat 275kV substation	31 January 2028	3.37	1.33	0.00	0.00	0.00	4.70
VIP North Wessex Downs 1 (Main Works	Remove 4.6km section of a 400kv double circuit overhead line (OHL), known as the YYM.1, and 13 towers with associated conductor and fittings, with 4.6km underground cable in the North Wessex Downs AONB area. The OHL runs from the southern slopes of Roundway Hill along Horton Downs to the north of Devizes, Wiltshire.	2026	3.500	0.000	0.000	0.000	0.000	3.500

	<p>Installation of a 2000MVA 4.6km double circuit 400kV underground cable along the YYM.1 route.</p> <p>Install two new sealing end compounds (SEC) at (YYM33-34) and (YYM46-47) to connect the new section of underground cable to the existing overhead line.</p> <p>Reinstatement of essential fibre optic data cable during cable underground.</p>							
Snowdonia VIP Project	<p>Remove a 3.3 km section of a 400kV/ 132kV overhead line, known as the 4ZC.1, and 10 pylons that run between existing Garth sealing end compound near Minfford and pylon 4ZC 028, east of the Dwyryd Estuary. Replace pylon 4ZC 027 with a new terminal pylon. Construction of:</p> <p>- 4.2 km cable replacement 2 X</p>	2030	28.81 3	14.15 8	21.73 1	12.42 4	0.208	77.33

	2500mm2 (2 circuits per phase) - Tunnel with an internal diameter of 3.5 metres and segment thickness of 250mm. - 2 vertical shaft and head houses at Garth and Cilfor - 1 sealing end compound at Cilfor - Install 200 MVAR shunt reactive equipment at the existing Trawsfynydd substation.							
Hinkley - Seabank	Hinkley – Seabank, as specified in Table 5 of Special Condition 6I (Specification of Baseline Wider Works Outputs and Strategic Wider Works Outputs and Assessment of Allowed Expenditure) of this licence as in force on 31 March 2021.	31 Dec 2028	11.084	15.692	5.231	0.00	0.00	32.01
Dinorwig 400kV Substation Replacement	Dinorwig-Pentir: decommissioning, removal, and disposal of all primary and ancillary assets in	31 March 2028	23.787	8.344	0.00	0.00	0.00	32.13

	the scope of this project							
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Special Condition 3.19 CSNP Re-opener and Price Control Deliverable (CSNPR_t)

Introduction

- 3.19.1 The purpose of this condition is to specify the value of CSNPR_t (the CSNP Re-opener term). This contributes to the calculation of the Totex Allowance.
- 3.19.2 The effect of this condition is to:
- (a) specify the CSNP Re-opener Outputs and delivery dates for the Price Control Deliverable (Part C);
 - (b) establish a Re-opener for the licensee to apply for a CSNP Re-opener Project Assessment Decision (Part D);
 - (c) provide for a decision in relation to a Cost and Output Adjusting Event (Part E);
 - (d) provide for modification of the delivery dates in Appendix 1 to reflect any adjustments made in Special Condition 4.8 Major Projects ODI-F (Part F);
 - (e) provide for an assessment of the Price Control Deliverable (Part G); and
 - (f) establish the CSNP Re-opener Guidance and Submissions Requirements Document (Part I).
- 3.19.3 This condition sets out the process the Authority will follow when making any changes as a result of the CSNP Re-opener.

Part A: Formula for calculating the CSNP Re-opener term (CSNPR_t)

- 3.19.4 The value of CSNPR_t is derived in accordance with the following formula:

$$CSNPR_t = CSNPA_t - CSNPD_t$$

Where:

- CSNPA_t* is the sum of the allowances indicated in Appendix 1 for Regulatory Year t; and
- CSNPD_t* has the value zero for any CSNP Re-opener Output unless otherwise directed by the Authority in accordance with Part G.

Part B: CSNP Re-opener Outputs

- 3.19.5 The CSNP Re-opener Outputs specified in Appendix 1 must be delivered to the full specification no later than 12 months after the delivery date specified in Appendix 1.
- 3.19.6 After a CSNP Re-opener Output specified in Appendix 1 has been delivered to the full specification it must be operational and available for use by the ISOP to the minimum availability standard as determined as part of Project Assessment Decision under Part D, calculated and specified in Appendix 2 after application

of the exclusions set out in the CSNP Re-opener Guidance and Submissions Requirements Document.

Part C: Setting a CSNP Re-opener Output

3.19.7 The Authority may make a modification to Appendix 1 under this Part to specify or amend any CSNP Re-opener Output, delivery dates and allowances where the Authority is acting to give effect to a recommendation from the ISOP, and where the requirements specified in paragraph 3.19.8 apply.

3.19.8 The requirements are:

- (a) the ISOP has defined an investment to be delivered by the licensee and published a recommendation to that effect, in any CSNP or transitional CSNP;
- (b) the relevant investment is load related; and
- (c) the Authority considers the recommended investment to be sufficiently developed in that the recommended investment:
 - i. has a confirmed needs case;
 - ii. is not expected to be delivered through onshore competitive tenders;
 - iii. represents a single preferred solution that the Authority considers has been sufficiently developed, such that the licensee can begin developing a detailed design and undertake pre-construction activities such as those covered by Pre-Construction Funding;
 - iv. has a P50 Delivery Date; and
 - v. has an estimated forecast project totex.

3.19.9 The Authority will, in specifying any CSNP Re-opener Outputs, have regard to relevant provisions of the CSNP. The Authority will specify a delivery date for a CSNP Re-opener Output using the approach as set out in the CSNP Re-opener Guidance and Submissions Requirements Document.

3.19.10 A modification under this Part will be made under section 11A of the Act.

Part D: Application for a CSNP Re-opener Project Assessment Decision to modify Appendix 1 or Appendix 2

3.19.11 The licensee may, in respect of any CSNP Re-opener Output, apply to the Authority for a modification of:

- (a) Appendix 1 to amend the CSNP Re-opener Output and to specify the associated allowances; and
- (b) Appendix 2 to specify the minimum availability standard after delivery.

3.19.12 For any proposed modification under this Part, the licensee must set out the information as specified in the CSNP Re-opener Guidance and Submissions Requirements Document.

3.19.13 Unless the Authority otherwise directs, the licensee may only apply for a modification under this Part:

- (a) after submission of all material planning consent applications; and
- (b) within the first five Working Days of April or October of any Regulatory Year, or such other time as the Authority may direct.

3.19.14 A modification under this Part will be made under section 11A of the Act.

Part E: Cost And Output Adjusting Event

3.19.15 The licensee may apply to the Authority under this Part for a modification to the CSNP Re-opener Output or allowances in Appendix 1 where it considers there has been one or more Cost And Output Adjusting Event.

3.19.16 The licensee may only apply for a modification to adjust allowances in Appendix 1 where:

- (a) expenditure has increased or decreased by at least the percentage specified in paragraph 3.19.18, relative to the relevant allowance in Appendix 1 because of the Cost And Output Adjusting Event;
- (b) the increase or decrease in expenditure is expected to be efficiently incurred or saved;
- (c) a modification is required to maintain, so far as is reasonably practicable, the financial position of the licensee as if the Cost And Output Adjusting Event had not occurred; and
- (d) the licensee could not have either:
 - i. reasonably foreseen the Cost And Output Adjusting Event or Cost And Output Adjusting Events; or
 - ii. economically and efficiently planned a contingency for the Cost And Output Adjusting Event.

3.19.17 The licensee may apply to modify the CSNP Re-opener Outputs in Appendix 1 only where there is a significant change to the scope of the relevant CSNP Re-opener Output.

3.19.18 The percentage referred to in paragraph 3.19.16(a) is:

- (a) 10%; or
- (b) such other percentage as the Authority may specify by direction.

3.19.19 The percentage threshold in paragraph 3.19.16(a) is calculated before the application of the Totex Incentive Mechanism Rate.

3.19.20 Where there has been more than one Cost And Output Adjusting Event, the licensee may apply for those events as a single Cost And Output Adjusting Event if the Authority has directed that the events in relation to the relevant CSNP Re-opener Output should count cumulatively towards the percentage threshold.

3.19.21 Unless the Authority otherwise directs, the licensee must make any application under this Part no later than three months after the delivery date for the CSNP Re-opener Output.

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

- (a) include detailed supporting evidence that a Cost And Output Adjusting Event has occurred which meets the requirements set out in paragraph 3.19.16 and/or paragraph 3.19.17 and in the CSNP Re-opener Guidance and Submissions Requirements Document;
- (b) set out any amendments requested to the CSNP Re-opener Output or associated allowances in Appendix 1;
- (c) where applicable, explain the basis of the calculation for any proposed adjustment to the allowances in Appendix 1; and
- (d) include a statement from a technical adviser stating that, considered in the context of the value of the CSNP Re-opener Output, the proposed adjustments to the CSNP Re-opener Output or associated allowances reasonably reflect the effects of the Cost And Output Adjusting Event.

3.19.23 A technical adviser referred to in 3.19.22(d) will be:

- (a) the relevant Independent Technical Adviser if one has been appointed under Special Condition 6.2 (Independent Technical Adviser) for the CSNP Re-opener Output; or
- (b) if an Independent Technical Adviser has not been appointed for the CSNP Re-opener Output, a technical adviser who is external to and independent from the licensee.

3.19.24 The Authority may make a modification under this Part where:

- (a) there has been an application under this Part;
- (b) there has been a Cost And Output Adjusting Event in relation to the relevant CSNP Re-opener Output; and
- (c) the requirements of paragraphs 3.19.16 to 3.19.22, as applicable, have been met.

3.19.25 A modification under this Part will be made under section 11A of the Act.

Part F: Modification of delivery date in Appendix 1 further to a Major Projects ODI-F Target Delivery Date change or a Major Projects Penalty Exemption Period decision under Special Condition 4.8 (Major Projects output delivery incentive (MPI_t))

3.19.26 The Authority will modify the delivery date in Appendix 1 for any relevant CSNP Re-opener Output where it decides under Special Condition 4.8 (Major Projects output delivery incentive (MPI_t)) to make a modification to the Major Projects ODI-F Penalty Exemption Period and/or Major Projects ODI-F Target Delivery Date which applies to that CSNP Re-opener Output.

3.19.27 A modification under this Part will be made under section 11A of the Act.

Part G: Assessment of the Price Control Deliverable (CSNP_{Dt})

3.19.28 The Authority may, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), direct a value for CSNP_{Dt} where the licensee has not Fully Delivered a CSNP Re-opener Output as specified in Appendix 1.

Part H: What process will the Authority follow in making a direction?

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

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

3.19.30 A direction made under Part G will set out:

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

Part I: CSNP Re-opener Guidance and Submissions Requirements Document

3.19.31 The licensee must comply with the CSNP Re-opener Guidance and Submissions Requirements Document when making an application under Parts D or E.

3.19.32 The CSNP Re-opener Guidance and Submissions Requirements Document will make provision about the detailed requirements for Parts D and E.

3.19.33 The Authority will amend the CSNP Re-opener Guidance and Submissions Requirements Document by direction.

3.19.34 Before directing that the CSNP Re-opener Guidance and Submissions Requirements Document comes into effect, the Authority will publish on the Authority's Website:

- (a) the text of the proposed CSNP Re-opener Guidance and Submissions Requirements Document;
- (b) the date on which the Authority intends the CSNP Re-opener Guidance and Submissions Requirements Document to come into effect; and
- (c) the period during which representations may be made on the text of the proposed CSNP Re-opener Guidance and Submissions Requirements Document, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

3.19.35 The Authority will publish the CSNP Re-opener Guidance and Submissions Requirements Document on the Authority's Website.

3.19.36 Before amending the CSNP Re-opener Guidance and Submissions Requirements Document by direction, the Authority will publish on the Authority's Website:

- (a) the text of the amended CSNP Re-opener Guidance and Submissions Requirements Document;

- (b) the date on which the Authority intends the amended CSNP Re-opener Guidance and Submissions Requirements Document to come into effect;
- (c) the reasons for the amendments to the CSNP Re-opener Guidance and Submissions Requirements Document; and
- (d) a period during which representations may be made on the amendments to the CSNP Re-opener Guidance and Submissions Requirements Document, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

Appendix 1

CSNP Re-opener Outputs, delivery dates and allowances (CSNPR_t) (£m)

CSNP Re-opener Output	Delivery date	2026/27	2027/28	2028/29	2029/30	2030/31

Appendix 2

Minimum circuit availability standard after the delivery date (%)

CSNP Re-opener Output	0-6 months	6-12 months	12-24 months

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)

Introduction

- 3.20.1 The purpose of this condition is to calculate the term APCF_t (the ASTI Pre-Construction Funding Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.
- 3.20.2 The effect of this condition is to:
- (a) specify the outputs, delivery dates and associated allowances for the Price Control Deliverable;
 - (b) establish a Re-opener for the licensee to trigger where it expects to incur costs for Pre-Construction Works in relation to an ASTI in addition to the allowances in Appendix 1;
 - (c) provide for an assessment of the Price Control Deliverable; and
 - (d) provide for a Use It Or Lose It Adjustment.
- 3.20.3 This condition also sets out the process the Authority will follow when making changes to Appendices 1 and 2 as a result of the Re-opener.

Part A: Formula for calculating the ASTI Pre-Construction Funding Price Control Deliverable term $APCF_t$

3.20.4 The value of $APCF_t$ is derived in accordance with the following formula:

$$APCF_t = APCFA_t - APCFRA_t$$

where:

$APCFA_t$ means the allowances in Appendix 1; and

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

Part B: ASTI Pre-Construction Funding outputs

3.20.5 Appendix 2 specifies the outputs the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Scope of the ASTI Pre-Construction Funding Re-opener

3.20.6 The licensee may, in respect of an ASTI, apply to the Authority for a modification to the outputs, delivery dates or allowances in Appendices 1 and 2 where:

- (a) the licensee has incurred, or expects to incur, costs for Pre-Construction Works for outputs that are not already specified in Appendix 2, if no allowances for Pre-Construction Works have previously been provided under Special Condition 3.15 (Pre-Construction Funding Re-opener and Price Control Deliverable) of this licence as in force on 31 March 2026;
- (b) the licensee expects that the total costs for Pre-Construction Works in relation to all outputs in Appendix 2 will exceed the total allowances in Appendix 1 by the Materiality Threshold; or
- (c) the licensee expects a material change to one of the outputs or delivery dates in Appendix 2.

3.20.7 The licensee must notify the Authority in writing of its intention to make an application under 3.20.6 at least 8 weeks before making an application, unless the Authority directs otherwise.

3.20.8 An application under paragraph 3.20.6 must be made in writing and include:

- (a) a breakdown of what Pre-Construction Works are expected to be undertaken;
- (b) a breakdown of the incurred and expected costs for Pre-Construction Works;
- (c) an overview of the ASTI or ASTIs to which the Pre-Construction Works and associated costs relate;
- (d) the specification of any additional outputs that the licensee considers should be added to Appendix 2;
- (e) a justification of why any additional Pre-Construction Works and/ or additional allowances are required; and
- (f) any amendments requested to the outputs, delivery dates or allowances set out in Appendix 2.

- 3.20.9 The licensee must comply with the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document when making an application under this Part.
- 3.20.10 A modification under this Part to the outputs, delivery dates and allowances in Appendix 2 and the allowances in Appendix 1 will be made under section 11A of the Act.

Part D: Assessment of the Price Control Deliverable (APCFRA_t)

- 3.20.11 The Authority will direct a value for APCFRA_t where either of the following is appropriate:
- (a) an adjustment in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), where the licensee has not Fully Delivered an output in Appendix 2; or
 - (b) a Use It Or Lose It Adjustment, which will be assessed after any assessment under sub-paragraph (a).

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

- 3.20.12 Before making a direction under paragraph 3.20.11 the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction; and
 - (c) a period during which representations may be made on the proposed direction, which will be up to 28 days unless the Authority determines that a longer period is appropriate.
- 3.20.13 A direction under paragraph 3.20.11 will set out the value of the APCFRA_t term and the Regulatory Years to which the adjustment relates, and where the direction is under paragraph 3.20.11(a) will set out:
- (a) the delivery status of the output that has not been Fully Delivered; and
 - (b) the methodology and data that has been used to decide the delivery status and value of any adjustments to the APCFRA_t term.

Appendix 1

ASTI Pre-Construction Funding Allowance table (£m)

Total Value	
NGET	Have the values given in the ASTI Confidential Annex. (Sum of allowances from Appendix 2, PCF Allowance)

Appendix 2

ASTI Pre-Construction Funding Price Control Deliverables (£m)

Project Name	Output	Delivery Date	PCF Allowance
New 400 kV double circuit in south East Anglia (NOA Code: ATNC)	Submission of all material planning consent applications for ATNC	31 March 2026	Have the values given in the ASTI Confidential Annex.
400 kV upgrade of Brinsworth to Chesterfield double circuit and Chesterfield to High Marnham double circuit. New High Marnham and Chesterfield 400 kV substations (NOA Code: EDEU)	Submission of all material planning consent applications for EDEU	31 March 2026	Have the values given in the ASTI Confidential Annex.
New Chesterfield to Ratcliffe-on-Soar 400 kV double circuit (NOA Code: EDN2)	Submission of all material planning consent applications for EDN2	31 March 2026	Have the values given in the ASTI Confidential Annex.
Uprate Hackney, Tottenham and Waltham Cross 275 kV to 400 kV (NOA Code: HWUP)	Submission of all material planning consent applications for HWUP	31 March 2026	Have the values given in the ASTI Confidential Annex.
Eastern subsea HVDC Link from east Scotland to West Norfolk (EGL4) (NOA Code: TGDC)	Submission of all material planning consent applications for EGL4	31 March 2028	Have the values given in the ASTI Confidential Annex.
Eastern Scotland to England 3rd link: Peterhead to West Norfolk offshore HVDC (EGL3) (NOA Code: E4L5)	Submission of all material planning consent applications for EGL3	31 March 2028	Have the values given in the ASTI Confidential Annex.
New 400kV double circuit between South Humber and West Norfolk (NOA Code: GWNC)	Submission of all material planning consent applications for GWNC	27 February 2029	Have the values given in the ASTI Confidential Annex.

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

Introduction

- 3.21.1 The purpose of this condition is to specify the value of the term ASTIR_t (the accelerated strategic transmission investment Re-opener term). This contributes to the calculation of the Totex Allowance.
- 3.21.2 The effect of this condition is to:
- (a) specify the ASTI Outputs, delivery dates and allowances for the Price Control Deliverable;

- (b) establish a Re-opener for the licensee to apply for an adjustment to the ASTI Outputs, delivery dates and allowances in Appendix 1 and the minimum circuit availability standard after delivery in Appendix 2;
- (c) provide for an assessment of the Price Control Deliverable; and
- (d) establish the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document.

3.21.3 This condition also sets out the process the Authority will follow when making changes to Appendix 1 as a result of the Re-openers.

Part A: Formula for calculating the accelerated strategic transmission investment Re-opener term ($ASTIR_t$)

3.21.4 The value of $ASTIR_t$ is derived in accordance with the following formula:

$$ASTIR_t = ASTIA_t - ASTIRA_t$$

where:

$ASTIA_t$ means the allowances in Appendix 1; and

$ASTIRA_t$ has the value zero unless otherwise directed by the Authority in accordance with Part G.

Part B: ASTI Outputs

3.21.5 The licensee must deliver the ASTI Outputs no later than 12 months after the delivery dates specified in Appendix 1.

3.21.6 After the ASTI Output has been delivered it must be operational and available for use by the ISOP for the period specified in Appendix 2 after application of the exclusions set out in Chapter 4 of the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document.

Part C: Early Construction Funding

3.21.7 The licensee may, in respect of any ASTI Output, apply for an Early Construction Funding decision to adjust $ASTIA_t$.

3.21.8 Unless the Authority directs otherwise, the aggregate allowances provided under paragraph 3.21.7 for any ASTI Output may not exceed 20% of the total forecast project cost listed in the ASTI Confidential Annex.

3.21.9 The licensee must notify the Authority in writing of its intention to make an application under 3.21.7 at least eight weeks before making an application, unless the Authority directs otherwise.

3.21.10 A modification under this Part will be made under section 11A of the Act.

Part D: ASTI Project Assessment Decision

3.21.11 The licensee may, in respect of any ASTI, apply for an ASTI Project Assessment Decision and an associated modification of Appendices 1 and 2 to:

- (a) specify or amend an ASTI Output, a delivery date and associated allowances; and
- (b) specify the minimum circuit availability standard after delivery for the relevant ASTI Output.

3.21.12 Unless the Authority otherwise directs, the licensee may only apply for an ASTI Project Assessment Decision after submission of all material planning consent applications.

3.21.13 A modification under this Part will be made under section 11A of the Act.

Part E: ASTI Cost And Output Adjusting Event

3.21.14 The licensee may apply for a modification to the ASTI Outputs and allowances in Appendix 1 where it considers that there has been one or more ASTI Cost And Output Adjusting Event.

3.21.15 The licensee may only apply under this Part to modify allowances in Appendix 1 where:

- (a) expenditure has been caused to increase or decrease by at least the percentage specified in, or in accordance with, paragraph 3.21.17, calculated before the application of the Totex Incentive Mechanism, relative to the relevant allowance in Appendix 1 by the event or if there has been more than one event:
- (b) by each event;
- (c) if the Authority has directed that the events in relation to the relevant ASTI Output should count cumulatively towards the percentage threshold;; and
- (d) the increase or decrease in expenditure is expected to be efficiently incurred or saved.

3.21.16 The licensee may apply under this Part to modify the ASTI Outputs in Appendix 1 only where there is a material change to the scope of the relevant ASTI project.

3.21.17 The percentage referred to in paragraph 3.21.15(a) is:

- (a) 5%; or
- (b) for the purpose of the ASTI Output E2DC, 1%; or
- (c) for the purpose of ASTI Output E4D3, 0.75%; or
- (d) such other percentage as the Authority may specify by direction.

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

- (a) include detailed supporting evidence that an ASTI Cost And Output Adjusting Event meeting the requirements set out in paragraphs 3.21.15, or where applicable 3.21.16, has occurred;
- (b) set out the modifications requested to the ASTI Outputs or associated allowances in Appendix 1;
- (c) explain the basis of the calculation for any proposed modification to the allowances in Appendix 1, which must be designed to keep, so far as is reasonably practicable,

the financial position and performance of the licensee the same as if the ASTI Cost And Output Adjusting Event had not occurred; and

- (d) include a statement from a technical adviser, who is external to and independent from the licensee, whether, considered in the context of the value of the ASTI Output, the proposed modification to the ASTI Output or associated allowances fairly reflects the effects of the ASTI Cost And Output Adjusting Event.

3.21.19 The Authority may make a modification under this Part where:

- (a) there has been an application under this Part;
- (b) there has been an ASTI Cost And Output Adjusting Event in relation to the relevant ASTI;
- (c) the requirements of paragraphs 3.21.14 to 3.21.18, where applicable, have been met; and
- (d) the proposed modifications to Appendix 1 have the effect so far as is reasonably practicable of keeping the financial position and performance of the licensee the same as if the ASTI Cost And Output Adjusting Event had not occurred.

3.21.20 A modification under this Part will be made under section 11A of the Act.

Part F: Modification of delivery date in Appendix 1 further to an ASTI ODI Penalty Exemption Period decision or ASTI ODI Target Date decision under Part B of Special Condition 4.7 (Accelerated strategic transmission investment output delivery incentive)

3.21.21 The Authority will modify the delivery dates in Appendix 1 where it decides under Part B of Special Condition 4.7 (Accelerated strategic transmission investment output delivery incentive) to make a modification to the ASTI ODI Penalty Exemption Period or ASTI ODI Target Date in Appendix 1 of Special Condition 4.7.

3.21.22 A modification under this Part will be made under section 11A of the Act.

Part G: Assessment of the Price Control Deliverable (ASTIRAt)

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

Part H: What process will the Authority follow in making a direction?

3.21.24 Before making a direction under Part G the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

3.21.25 A direction in respect of Part G will set out:

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

Part I: Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document

3.21.26 The licensee must comply with the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document.

3.21.27 The Authority will issue and amend the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document by direction.

3.21.28 The Authority will publish the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document on the Authority's Website.

3.21.29 The Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document will make provision about the detailed requirements for Parts C, D, E and F.

3.21.30 The Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document will also make provision about the detailed requirements under Special Condition 3.20 (ASTI Pre-Construction Funding Re-opener, Price Control Deliverable and Use It Or Lose It Adjustment) and Special Condition 4.7 (ASTI output delivery incentive).

3.21.31 Before directing that the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document comes into effect, the Authority will publish on the Authority's Website:

- (a) the text of the proposed Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document;
- (b) the date on which the Authority intends the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document to come into effect; and
- (c) a period during which representations may be made on the text of the proposed Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

3.21.32 Before directing an amendment to the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document, the Authority will publish on the Authority's Website:

- (a) the text of the amended Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document;

- (b) the date on which the Authority intends the amended Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document to come into effect;
- (c) the reasons for the amendments to the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document; and
- (d) a period during which representations may be made on the amendments to the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

Appendix 1

ASTI Price Control Deliverable

ASTI Output	Delivery Date	Allowance (ASTIA _t , £m)	ECF/PA
New 400 kV double circuit in north East Anglia (NOA Code: AENC)	31 December 2031	Have the values given in the ASTI Confidential Annex.	ECF
New 400 kV double circuit in south East Anglia (NOA Code: ATNC)	31 December 2031	Have the values given in the ASTI Confidential Annex.	
New 400 kV double circuit between Bramford and Twinstead (NOA Code: BTNO)	31 December 2029	Have the values given in the ASTI Confidential Annex.	
New 400 kV double circuit between Creyke Beck and the south Humber (NOA Code: CGNC)	31 December 2031	Have the values given in the ASTI Confidential Annex.	
Eastern subsea HVDC link from Torness to Hawthorn Pit (NOA Code: E2DC) consisting of: -2GW additional network capacity, subject to 5% margin. -176km HVDC marine cable (525kV Cross-linked polyethylene (XLPE) 2000MW capacity) -17 km HVDC onshore cable -new HVDC Converter station at Hawthorn Pit -new HVDC Converter station at Torness -new 400kV 20 bay GIS (non SF6) substation at Hawthorn Pit - 2 Additional bays at Branxton Gas Insulated Switchgear (GIS) – non sulphur hexafluoride (SF6) substation - Extension of existing Norton substation - Protection changes at existing Offerton substation	31 December 2028	£2,492,205,963	PA

ASTI Output	Delivery Date	Allowance (ASTIA _t , £m)	ECF/PA
Eastern Scotland to England link: Peterhead to Drax offshore HVDC (NOA Code: E4D3) consisting of: - 1.8-1.9GW additional network capacity; - 436km HVDC marine cable - 70km onshore cable; - new converter station at Wren Hall - new converter station at Peterhead; - 3 new bays in Peterhead - 1 new bay in Drax substation - Reinforcement of existing substations and infrastructure to support E4D3	31 December 2030	£4,295,638,278	PA
Eastern Scotland to England 3rd link: Peterhead to West Norfolk offshore HVDC (EGL3) (NOA Code: E4L5)	31 August 2034	Have the values given in the ASTI Confidential Annex.	ECF
400 kV upgrade of Brinsworth to Chesterfield double circuit and Chesterfield to High Marnham double circuit. New High Marnham and Chesterfield 400 kV substations (NOA Code: EDEU)	31 December 2029	Have the values given in the ASTI Confidential Annex.	
New Chesterfield to Ratcliffe-on-Soar 400 kV double circuit (NOA Code: EDN2)	31 December 2031	Have the values given in the ASTI Confidential Annex.	
New 400kV double circuit between South Humber and West Norfolk (NOA Code: GWNC)	31 December 2033	Have the values given in the ASTI Confidential Annex.	ECF
Uprate Hackney, Tottenham and Waltham Cross 275 kV to 400 kV (NOA Code: HWUP)	31 December 2028	Have the values given in the ASTI Confidential Annex.	ECF
New 400kV substations and relevant 275kV circuits upgrades and new 275kV and 400kV circuits between the existing Norton to Osbaldwick circuits and Monk Fryston (NOA Code: OPN2)	31 December 2028	£368,126,448	PA
Pentir to Trawsfynydd cable replacement (NOA Code: PTC1)	31 December 2029	Have the values given in the ASTI Confidential Annex.	ECF
North Wales reinforcement (NOA Code: PTNO)	31 December 2030	Have the values given in the ASTI Confidential Annex.	ECF
New Offshore HVDC link between Suffolk and Kent option 1 (NOA Code: SCD1)	31 December 2031	Have the values given in the ASTI Confidential Annex.	ECF

ASTI Output	Delivery Date	Allowance (ASTIA_t, ECF/PA £m)
Eastern subsea HVDC link from East Scotland to West Norfolk (EGL4) (NOA Code: TGDC)	31 August 2034	Have the values given in the ASTI Confidential Annex.
Tilbury to Grain and Tilbury to Kingsnorth upgrade (NOA Code: TKRE)	31 December 2029	Have the values given in the ASTI Confidential Annex.

Appendix 2

ASTI Output availability standard

ASTI Output	Minimum circuit availability standard after delivery (%)	Minimum circuit availability standard after delivery (%)
0-6 months	6-12 months	12-24 months
<p>New 400 kV double circuit in north East Anglia (NOA Code: AENC)</p> <p>New 400 kV double circuit in south East Anglia (NOA Code: ATNC)</p> <p>New 400 kV double circuit between Bramford and Twinstead (NOA Code: BTNO)</p> <p>New 400 kV double circuit between Creyke Beck and the south Humber (NOA Code: CGNC)</p> <p>Eastern subsea HVDC link from Torness to Hawthorn Pit (NOA Code: E2DC)</p> <p>Eastern Scotland to England link: Peterhead to Drax offshore HVDC (NOA Code: E4D3)</p> <p>Eastern Scotland to England 3rd link: Peterhead to West Norfolk offshore HVDC (EGL3) (NOA Code: E4L5)</p> <p>400 kV upgrade of Brinsworth to Chesterfield double circuit and Chesterfield to High Marnham double circuit. New High Marnham and Chesterfield 400 kV substations (NOA Code: EDEU)</p> <p>New Chesterfield to Ratcliffe-on-Soar 400 kV double circuit (NOA Code: EDN2)</p>		

ASTI Output	Minimum circuit availability standard after delivery (%)	Minimum circuit availability standard after delivery (%)
New 400kV double circuit between South Humber and West Norfolk (NOA Code: GWNC)		
Uprate Hackney, Tottenham and Waltham Cross 275 kV to 400 kV (NOA Code: HWUP)		
New 400 kV double circuit between the existing Norton to Osballdwick circuit and Poppleton and relevant 275 kV upgrades (NOA Code: OPN2)		
Pentir to Trawsfynydd cable replacement (NOA Code: PTC1)		
North Wales reinforcement (NOA Code: PTNO)		
New Offshore HVDC link between Suffolk and Kent option 1 (NOA Code: SCD1)		
Eastern subsea HVDC link from East Scotland to West Norfolk (EGL4) (NOA Code: TGDC)		
Tilbury to Grain and Tilbury to Kingsnorth upgrade (NOA Code: TKRE)		

Special Condition 3.22 Entry and exit connection asset allowance (EECA_t)

Introduction

- 3.22.1 The purpose of this condition is to provide for the calculation of the term EECA_t (the entry and exit connection asset allowance term). This contributes to the calculation of the Totex Allowance.
- 3.22.2 The effect of this condition is to adjust the Totex Allowance for the capital contributions relating to Transmission Connection Assets that the licensee receives from Users during the Price Control Period.
- 3.22.3 The licensee must determine, record and report the values used in the calculation of EECA_t in accordance with the definitions, reporting requirements and allocation methodologies specified in the RIGs.

Part A: Formula for calculating the entry and exit connection asset allowance term (EECA_t)

3.22.4 The value of EECA_t is equal to any capital contribution from Users relating to Transmission Connection Assets.

Special Condition 3.23 ET2/ET3 Crossover adjustments (T2ACA_t)

Introduction

3.23.1 The purpose of this condition is to specify allowances and outputs for ET2/ET3 Crossover items as defined in this Condition.

3.23.2 As detailed further in the ET2/ET3 Crossover Submission Requirements and Guidance Document, this condition provides a framework for the authority to modify the licence and adjust values in Appendix 1 to ensure:

- (a) the transition from RIIO-ET2 to RIIO-ET3 does not create unnecessary barriers to, or disincentives for, the efficient operation of the Transmission System or the efficient and timely delivery of outputs, deliverables or activities by the licensee;
- (b) any shortfalls in licensee funding for efficient costs associated with an ET2/ET3 Crossover Item which meets the conditions in Part C are appropriately remunerated;
- (c) the licensee does not unduly benefit from delaying delivery of these ET2/ET3 Crossover items into RIIO-ET3; and
- (d) the licensee is held accountable for meeting outputs, deliverables, targets or delivery dates associated with these ET2/ET3 Crossover Items that were first specified in the RIIO-ET2 licence, including by making negative adjustments where appropriate.

3.23.3 The effect of this Condition is to:

- (a) calculate the term T2ACA_t (the aggregate ET2/ET3 Crossover adjustment term). This term contributes to the calculation of the Totex Allowance;
- (b) specify the values for each individual ET2/ET3 Crossover adjustment term that contributes to T2ACA_t;
- (c) specify the outputs, delivery dates and associated allowances related to each individual ET2/ET3 Crossover adjustment term that contributes to T2ACA_t;
- (d) provide for an assessment of the Price Control Deliverables;
- (e) define the scope and coverage of modifications to ET2/ET3 Crossover adjustment terms that contribute to T2ACA_t; and
- (f) establish the ET2/ET3 Crossover Submission Requirements and Guidance Document.

Part A: Formula for calculating the aggregate ET2/ET3 Crossover adjustment term (T2ACA_t)

3.23.4 The value of the T2ACA_t term is calculated in accordance with the following formula:

$$T2ACA_t = T2NARM_t + T2CROT_t + T2CROTRE_t + T2CRIT_t + T2CRITRE_t + T2PSUP_t + T2PSUPRE_t + T2RDF_t + T2NZ_t + T2NOITRE_t + T2CAM_t + T2WW_t + T2VIMRE_t +$$

$$T2EPIt + T2GCeT + T2DRIt + T2LOTIAt + T2LOTIREt + T2MSIPREt + T2PCFt + T2PCFREt + T2ARRt + T2GRIt + T2OTCt + T2InTt + T2BAt + T2PCt + T2OCt + T2SF6Ret + T2SF6t + T2UNLRt + T2WWVt + T2FWRt + T2CWRt + T2TSFt + T2TCRt + T2BRGt + T2EECAt + T2CCt + T2DFt + T2DTPCFt - T2Rt$$

Where:

T2NARMt	means the ET2/ET3 Crossover adjustment relating to the Baseline Allowed NARM Expenditure term (NARMt) as specified in Special Condition 3.1 of this licence as in force on 31 March 2026;
T2CROTt and T2CROTREt	mean the ET2/ET3 Crossover adjustments relating to the Cyber resilience OT baseline term (CROTt) and the Cyber resilience OT non-baseline term (CROTREt) respectively as specified in Special Condition 3.2 of this licence as in force on 31 March 2026;
T2CRITt and T2CRITREt	mean the ET2/ET3 Crossover adjustments relating to the Cyber resilience IT baseline term (CRITt) and cyber resilience IT non-baseline term (CRITREt) respectively as specified in Special Condition 3.3 of this licence as in force on 31 March 2026;
T2PSUPt and T2PSUPREt	mean the ET2/ET3 Crossover adjustments relating to the physical security Price Control Deliverable term (PSUPt) and the physical security Reopener term (PSUPREt) terms respectively as specified in Special Condition 3.4 of this licence as in force on 31 March 2026;
T2RDFt	means the ET2/ET3 Crossover adjustment relating to the Net Zero and Re-opener Development Fund term (RDFt) as specified in Special Condition 3.5 of this licence as in force on 31 March 2026;
T2NZt	means the ET2/ET3 Crossover adjustment relating to the Net Zero Re-opener and Price Control Deliverable term (NZt) as specified in Special Condition 3.6 of this licence as in force on 31 March 2026;
T2NOITREt	means the ET2/ET3 Crossover adjustment relating to the Non-operational IT Capex Re-opener term (NOITREt) as specified in Special Condition 3.7 of this licence as in force on 31 March 2026;
T2CAMt	means the ET2/ET3 Crossover adjustment relating to the Coordinated adjustment mechanism term (CAMt) as specified in Special Condition 3.8 of this licence as in force on 31 March 2026;
T2WWt	means the ET2/ET3 Crossover adjustment relating to the wider works Price Control Deliverable term (WWt) as specified in Special Condition 3.9 of this licence as in force on 31 March 2026;
T2VIMREt and T2EPIt	mean the ET2/ET3 Crossover adjustments relating to the Visual Impact Mitigation Re-opener term (VIMREt) and the Enhancing Pre-Existing Infrastructure Projects term (EPIt) respectively as specified in Special Condition 3.10 of this licence as in force on 31 March 2026;
T2GCeT	means the ET2/ET3 Crossover adjustment relating to the Generation Connections volume driver term (GCeT) as specified in Special Condition 3.11 of this licence as in force on 31 March 2026;

T2DRIt	means the ET2/ET3 Crossover adjustment relating to the Demand Connections volume driver (DRIt) as specified in Special Condition 3.12 of this licence as in force on 31 March 2026;
T2LOTIAAt and T2LOTIREt	mean the ET2/ET3 Crossover adjustments relating to the large onshore transmission investment allowance term (LOTIAAt) and the large onshore transmission investment Re-opener term (LOTIREt) respectively as specified in Special Condition 3.13 of this licence as in force on 31 March 2026;
T2MSIPREt	means the ET2/ET3 Crossover adjustment relating to the Medium Sized Investment Projects Re-opener term (MSIPREt) as specified in Special Condition 3.14 of this licence as in force on 31 March 2026;
T2PCFt and T2PCFREt	mean the ET2/ET3 Crossover adjustments relating to the Pre-Construction Funding Price Control Deliverable term (PCFt) and the Pre-Construction Funding Re-opener term (PCFREt) respectively as specified in Special Condition 3.15 of this licence as in force on 31 March 2026;
T2GRIt	means the ET2/ET3 Crossover adjustment relating to the generation related infrastructure Price Control Deliverable term (GRIt) as specified in Special Condition 3.20 of this licence as in force on 31 March 2026;
T2OTCt	means the ET2/ET3 Crossover adjustment relating to the operational transport carbon reduction Price Control Deliverable term (OTCt) as specified in Special Condition 3.21 of this licence as in force on 31 March 2026;
T2InTt	means the ET2/ET3 Crossover adjustment relating to the Instrument Transformer Price Control Deliverable term (InTt) as specified in Special Condition 3.22 of this licence as in force on 31 March 2026;
T2BAAt	means the ET2/ET3 Crossover adjustment relating to the Bay Assets Price Control Deliverable term (BAAt) as specified in Special Condition 3.23 of this licence as in force on 31 March 2026;
T2PCt	means the ET2/ET3 Crossover adjustment relating to the Protection and Control Price Control Deliverable term (PCt) as specified in Special Condition 3.24 of this licence as in force on 31 March 2026;
T2OCt means	the ET2/ET3 Crossover adjustment relating to the Overhead Line Conductor Price Control Deliverable term (OCt) as specified in Special Condition 3.25 of this licence as in force on 31 March 2026;
T2SF6REt and T2SF6t	mean the ET2/ET3 Crossover adjustments relating to the SF6 asset intervention Re-opener term (SF6REt) and the SF6 asset intervention Price Control Deliverable term (SF6t) respectively as specified in Special Condition 3.27 of this licence as in force on 31 March 2026;
T2WWVt	means the ET2/ET3 Crossover adjustment relating to the wider works volume driver term (WWVt) as specified in Special Condition 3.30 of this licence as in force on 31 March 2026;

T2FWRt	means the ET2/ET3 Crossover adjustment relating to the Fibre Wrap Re-opener term (FWRt) as specified in Special Condition 3.31 of this licence as in force on 31 March 2026;
T2CWRt	means the ET2/ET3 Crossover adjustment relating to the Civil Related Works Re-opener term (CWRt) as specified in Special Condition 3.32 of this licence as in force on 31 March 2026;
T2TSFt	means the ET2/ET3 Crossover adjustment relating to the Tower Steelworks and Foundations term (TSFt) as specified in Special Condition 3.33 of this licence as in force on 31 March 2026;
T2TCRt	means the ET2/ET3 Crossover adjustment relating to the Tyne Crossing Project Re-opener term (TCRt) as specified in Special Condition 3.34 of this licence as in force on 31 March 2026;
T2BRGt	means the ET2/ET3 Crossover adjustment relating to the Bengeworth Road GSP Project Re-opener term (BRGt) as specified in Special Condition 3.35 of this licence as in force on 31 March 2026;
T2EECAt	means the ET2/ET3 Crossover adjustment relating to the entry and exit connection asset allowance term (EECAt) as specified in Special Condition 3.37 of this licence as in force on 31 March 2026;
T2CCt	means the ET2/ET3 Crossover adjustment relating to the Consequential Costs recovery from the separation of the ESO term (CCt) as specified in Special Condition 3.42 of this licence as in force on 31 March 2026;
T2DFt	means the ET2/ET3 Crossover adjustment relating to the Development Funding Price Control Deliverable term (DFt) as specified in Special Condition 3.44 of this licence as in force on 31 March 2026;
T2DTPCFt	means the ET2/ET3 Crossover adjustment relating to the Delivery Track Pre-Construction Funding Price Control Deliverable term (DTPCFt) as specified in Special Condition 3.45 of this licence as in force on 31 March 2026; and
T2Rt	has the value zero unless otherwise directed by the Authority in accordance with Part G.

Part B: Values of individual ET2/ET3 Crossover adjustments

- 3.23.5 The values of each individual ET2/ET3 Crossover adjustment terms that contributes to the calculation of T2ACAt and the Regulatory Years to which such values apply are set out in Appendix 1.

Part C: What is the licensee funded to deliver?

- 3.23.6 Appendix 2 specifies the outputs that the licensee is funded to deliver, the individual ET2/ET3 Crossover adjustment that the output is funded by, the delivery dates for those outputs and the allowances provided for the output.

Part D: Amendments to values in Appendix 1 and outputs in Appendix 2

3.23.7 The Authority may amend any value in Appendix 1, and amend any output, target, delivery date and allowances in Appendix 2, at any time during the Price Control Period under section 11A of the Act.

3.23.8 In making such amendments, the Authority will:

- (a) Have regard to the general principles for ET2/ET3 Crossover adjustments as set out in ET2/ET3 Crossover Submission Requirements and Guidance issued in accordance with Part D; and
- (b) take account of the value of the Legacy AIP Adjustment term (LADJt) term derived, or expected to be derived, in accordance with Special Condition 7.2 of this licence.

Part E: Definition of an ET2/ET3 Crossover Item and scope of any adjustments

3.23.9 An ET2/ET3 Crossover Item is an output, Price Control Deliverable or activity:

- (a) that is funded in part or in full by a mechanism specified in this licence as in force on 31 March 2026; and
- (b) in the delivery of which the licensee, acting reasonably and efficiently, has incurred or is expected to incur expenditure during the Price Control Period.

3.23.10 The Authority may amend any value in Appendix 1 and outputs in Appendix 2 if either one of the following are satisfied:

- (a) Allowances provided by mechanisms in this licence as in force on 31 March 2026 in respect of an ET2/ET3 Crossover Item relating to that value were intended to cover part of the efficient cost of the item, and there is no other mechanism in this licence at the time of the amendment that would, or may be reasonably expected to, fund the remaining efficient cost of the ET2/ET3 Crossover Item; or
- (b) The derivation of the Legacy AIP Adjustment term (LADJt) in accordance with Special Condition 7.2 has resulted, or is expected to result, in a reduction to allowances otherwise provided by a mechanism specified in this licence as in force on 31 March 2026 for the ET2/ET3 Crossover item such that the efficient cost of delivering the item in full is not adequately remunerated through allowances that have been provided, or will be provided, through mechanisms in this licence.

Part F: ET2/ET3 Crossover Submission Requirements and Guidance Document

3.23.11 The Authority will issue and amend the ET2/ET3 Crossover Submission Requirements and Guidance Document by direction.

3.23.12 The Authority will publish the ET2/ET3 Crossover Submission Requirements and Guidance Document on the Authority's website.

3.23.13 The licensee must comply with the ET2/ET3 Crossover Submission Requirements and Guidance Document.

3.23.14 The ET2/ET3 Crossover Submission Requirements and Guidance Document will include, or make provision for, the following:

- (a) the general principles to which the Authority will have regard to when making amendments to any value in Appendix 1.
- (b) the timing and format of requests by the licensee for an amendment to any value in Appendix 1 and other parts of this licence.
- (c) the details of information required to be provided by the licensee to the Authority to support a request for amendment to values in Appendix 1.
- (d) the Authority's process for making amendments to any values in Appendix 1.

3.23.15 Before the Authority directs that the ET2/ET3 Crossover Submission Requirements and Guidance Document comes into effect, the Authority will publish on the Authority's Website:

- (a) the text of the proposed ET2/ET3 Crossover Submission Requirements and Guidance Document.
- (b) the date on which the Authority intends the ET2/ET3 Crossover Submission Requirements and Guidance Document to come into effect; and
- (c) the period during which representations may be made on the text of the proposed ET2/ET3 Crossover Submission Requirements and Guidance Document, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

3.23.16 Before the Authority directs that an amendment to the ET2/ET3 Crossover Submission Requirements and Guidance Document be made, the Authority will publish on the Authority's Website:

- (a) the text of the amended ET2/ET3 Crossover Submission Requirements and Guidance Document;
- (b) the date on which the Authority intends the amended ET2/ET3 Crossover Submission Requirements and Guidance Document to come into effect;
- (c) the reasons for the amendments to the ET2/ET3 Crossover Submission Requirements and Guidance Document; and
- (d) the period during which representations may be made on the amendments to the ET2/ET3 Crossover Submission Requirements and Guidance Document, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

Part G: Assessment of outputs (T2R_t)

3.23.17 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for T2R_t where the licensee has not Fully Delivered an output in Appendix 2.

Part H: What process will the Authority follow in making a direction?

3.23.18 Before making a direction under paragraph 3.23.13 the Authority must publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction;

- (c) a period during within which representations may be made on the proposed direction, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

3.23.19 A direction under paragraph 3.23.13 must set out:

- (a) the delivery status of the output that has not been Fully Delivered;
- (b) the value of the $T2R_t$ term and the Regulatory Years to which those adjustments relate; and
- (c) the methodology and data that have been used to decide the delivery status and value of any adjustments to the $T2R_t$ term.

Appendix 1: The values of the individual ET2/ET3 Crossover adjustments (£m)

	2026/27	2027/28	2028/29	2029/30	2030/31	RIIO-3 Total
T2NARMt	Zero	Zero	Zero	Zero	Zero	Zero
T2CROTt	Zero	Zero	Zero	Zero	Zero	Zero
T2CROTREt	Zero	Zero	Zero	Zero	Zero	Zero
T2CRITt	Zero	Zero	Zero	Zero	Zero	Zero
T2CRITREt	Zero	Zero	Zero	Zero	Zero	Zero
T2PSUPt	Zero	Zero	Zero	Zero	Zero	Zero
T2PSUPREt	Zero	Zero	Zero	Zero	Zero	Zero
T2RDFt	Zero	Zero	Zero	Zero	Zero	Zero
T2NZt	Zero	Zero	Zero	Zero	Zero	Zero
T2NOITREt	15.16	Zero	Zero	Zero	Zero	Zero
T2CAMt	Zero	Zero	Zero	Zero	Zero	Zero
T2WWt	Zero	Zero	Zero	Zero	Zero	Zero
T2VIMREt	Zero	Zero	Zero	Zero	Zero	Zero
T2EPIt	Zero	Zero	Zero	Zero	Zero	Zero
T2GCEt	Zero	Zero	Zero	Zero	Zero	Zero
T2DRIt	Zero	Zero	Zero	Zero	Zero	Zero
T2LOTIAt	Zero	Zero	Zero	Zero	Zero	Zero
T2LOTIREt	Zero	Zero	Zero	Zero	Zero	Zero
T2MSIPREt	Zero	Zero	Zero	Zero	Zero	Zero
T2PCFt	Zero	Zero	Zero	Zero	Zero	Zero
T2PCFREt	Zero	Zero	Zero	Zero	Zero	Zero

	2026/27	2027/28	2028/29	2029/30	2030/31	RIIO-3 Total
T2ARRt	Zero	Zero	Zero	Zero	Zero	Zero
T2GRIt	Zero	Zero	Zero	Zero	Zero	Zero
T2OTCt	Zero	Zero	Zero	Zero	Zero	Zero
T2InTt	Zero	Zero	Zero	Zero	Zero	Zero
T2BAt	Zero	Zero	Zero	Zero	Zero	Zero
T2PCt	Zero	Zero	Zero	Zero	Zero	Zero
T2OCt	Zero	Zero	Zero	Zero	Zero	Zero
T2SASt	Zero	Zero	Zero	Zero	Zero	Zero
T2SF6Ret	Zero	Zero	Zero	Zero	Zero	Zero
T2SF6t	Zero	Zero	Zero	Zero	Zero	Zero
T2WWVt	Zero	Zero	Zero	Zero	Zero	Zero
T2FWRt	Zero	Zero	Zero	Zero	Zero	Zero
T2CWRt	Zero	Zero	Zero	Zero	Zero	Zero
T2TSFt	Zero	Zero	Zero	Zero	Zero	Zero
T2TCRt	Zero	Zero	Zero	Zero	Zero	Zero
T2BRGt	Zero	Zero	Zero	Zero	Zero	Zero
T2EECAt	Zero	Zero	Zero	Zero	Zero	Zero
T2T1Oat	Zero	Zero	Zero	Zero	Zero	Zero
T2CCt	Zero	Zero	Zero	Zero	Zero	Zero
T2DFt	Zero	Zero	Zero	Zero	Zero	Zero
T2DTPCFt	Zero	Zero	Zero	Zero	Zero	Zero

Appendix 2: Outputs

Output	Delivery date	ET2/ET3 Crossover adjustment	RIIO-3 allowance provided

Special Condition 3.24 Legacy opex escalator (LOE_t)

Introduction

- 3.24.1 The purpose of this condition is to calculate the term LOE_t. This term provides additional allowances for closely associated indirects expenditure for ET2/ET3 Crossover items as defined in Part C of Special Condition 3.23 (ET2/ET3 Crossover adjustments) that relate to allowance terms included in the scope of

SpC 3.36 (Opex escalator) of this licence as in force on 31 March 2026. This contributes to the calculation of the Totex Allowance.

Part A: The value of the legacy opex escalator term (LOE_t)

3.24.2 The value of the LOE_t term is derived in accordance with the following formula:

$$LOE_t = 73.4\% \times BCAI \times \frac{UMTERMB_t}{BCAPEX}$$

where:

UMTERMB_t is derived in accordance with paragraph 3.24.3;

BCAI means the RIIO-ET2 baseline allowance for closely associated indirect opex and has the value £829.7m; and

BCAPEX means the RIIO-ET2 baseline allowance for capex and has the value £3606.0m.

3.24.3 The value of UMTERMB_t is derived in accordance with the following formula:

$$UMTERMB_t = T2VIMRE_t + T2GCE_t + T2DRI_t + T2MSIPRE_t + T2WWV_t + T2FWR_t + T2CWR_t + T2TSF_t + T2TCR_t + T2BRG_t$$

where:

T2VIMRE_t has the meaning given in and has the value derived in accordance with Part A of Special Condition 3.23 (ET2/ET3 Crossover adjustments)

T2GCE_t has the meaning given in and has the value derived in accordance with Part A of Special Condition 3.23 (ET2/ET3 Crossover adjustments)

T2DRI_t has the meaning given in and has the value derived in accordance with Part A of Special Condition 3.23 (ET2/ET3 Crossover adjustments)

T2MSIPRE_t has the meaning given in and has the value derived in accordance with Part A of Special Condition 3.23 (ET2/ET3 Crossover adjustments)

T2WWV_t has the meaning given in and has the value derived in accordance with Part A of Special Condition 3.23 (ET2/ET3 Crossover adjustments)

T2FWR_t has the meaning given in and has the value derived in accordance with Part A of Special Condition 3.23 (ET2/ET3 Crossover adjustments)

T2CWR_t has the meaning given in and has the value derived in accordance with Part A of Special Condition 3.23 (ET2/ET3 Crossover adjustments)

T2TSF_t has the meaning given in and has the value derived in accordance with Part A of Special Condition 3.23 (ET2/ET3 Crossover adjustments)

$T2TCR_t$	has the meaning given in and has the value derived in accordance with Part A of Special Condition 3.23 (ET2/ET3 Crossover adjustments)
$T2BRG_t$	has the meaning given in and has the value derived in accordance with Part A of Special Condition 3.23 (ET2/ET3 Crossover adjustments)

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

Introduction

- 3.25.1 The purpose of this condition is to calculate the term SF6_t (the SF6 asset intervention Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.
- 3.25.2 The effect of this condition is to:
- (a) specify the outputs, delivery dates and associated allowances for the Price Control Deliverable; and
 - (b) provide for an assessment of the Price Control Deliverable.
- 3.25.3 This condition also sets out the process the Authority will follow when directing any changes under paragraphs 3.25.6.

Part A: Formula for calculating the SF6 asset intervention Price Control Deliverable term (SF6_t)

- 3.25.4 The value of SF6_t is derived in accordance with the following formula:

$$SF6_t = (SF6A_t - SF6RA_t)$$

where:

$SF6A_t$ means the allowance in Appendix 1; and

$SF6RA_t$ has the value zero unless otherwise directed by the Authority in accordance with Part C.

Part B: What is the licensee funded to deliver?

- 3.25.5 Appendix 2 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Assessment of outputs (SF6RA_t)

- 3.25.6 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for SF6RA_t where the licensee has not Fully Delivered an output in Appendix 2.

Part D: What process will the Authority follow in making a direction?

3.25.7 Before making a direction under paragraph 3.25.6 the Authority must publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction;
- (c) a period during within which representations may be made on the proposed direction, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

3.25.8 A direction under paragraph 3.25.6 must set out:

- (a) the delivery status of the output that has not been Fully Delivered;
- (b) the value of the SF6RA_t term and the Regulatory Years to which those adjustments relate; and
- (c) the methodology and data that have been used to decide the delivery status and value of any adjustments to the SF6RA_t term.

Appendix 1

SF6 asset intervention baseline allowances (SF6A_t) by Regulatory Year (£m)

	26/27	27/28	28/29	29/30	30/31	Total Allowance (All years)
NGET	20.84	42.25	16.06	15.22	15.01	109.37

Appendix 2

SF6 asset intervention Price Control Deliverable Outputs (£m)

Site	Output	Delivery Date	Total Allowance (all years)
St Johns Wood	400kV gas zone refurbishment	31 st December 2027	NGET Redacted Information Document
City Road	132kV gas zone refurbishment	31 st December 2027	NGET Redacted Information Document
Ealing	275kV asset replacement with SF6-free alternative	31 st December 2028	NGET Redacted Information Document
Langage	400kV gas zone refurbishment	31 st December 2028	NGET Redacted Information Document
Ryehouse	400kV gas zone refurbishment	31 st December 2028	NGET Redacted Information Document

Site	Output	Delivery Date	Total Allowance (all years)
Baglan Bay	400kV gas zone refurbishment	31 st December 2028	NGET Redacted Information Document
Hams Hall	400KV asset replacement with SF6-free high voltage cable	31 st December 2029	NGET Redacted Information Document
Humber Refinery	400kV gas zone refurbishment	31 st December 2029	NGET Redacted Information Document
Legacy	400kV gas zone refurbishment	31 st December 2029	NGET Redacted Information Document
Macclesfield	400kV gas zone refurbishment	31 st December 2029	NGET Redacted Information Document
Killingholme	400kV gas zone refurbishment including retro-fill	31 st March 2031	NGET Redacted Information Document
Greystones	275kV gas zone refurbishment	31 st March 2031	NGET Redacted Information Document
Sellindge	400kV online repair leak	31 st March 2031	NGET Redacted Information Document
Richborough 400kV; Canterbury 275kV; Middleton 400kV; Connah's Quay 400kV	Retrofill Stage 1 across 4 sites (400kV) to remove 23,468 KG of SF6	31 st March 2031	NGET Redacted Information Document
Carrington; Cleve Hill; Bodelwyddan; West Burton	Retrofill Stage 2 across 4 sites (400kV) to remove 7,969 KG of SF6	31 st March 2031	NGET Redacted Information Document
x38	Palliative coating across 314 gas zones	31 st March 2031	NGET Redacted Information Document
x53	Installation of gas density monitoring sensors and/or gateways to enable remote data acquisition at 53 substations	31 st March 2031	NGET Redacted Information Document

Special Condition 3.26 Not Used

Special Condition 3.27 Not Used

Special Condition 3.28 Not Used

Special Condition 3.29 Not Used

Special Condition 3.30 Not Used

Special Condition 3.31 Not Used

Special Condition 3.32 Not Used

Special Condition 3.33 Not Used

Special Condition 3.34 Not Used

Special Condition 3.35 Not Used

Special Condition 3.36 Not Used

Special Condition 3.37 Not Used

Special Condition 3.38 Not Used

Special Condition 3.39 Not Used

Special Condition 3.40 National Energy System Operator separation Re-Opener

Introduction

- 3.40.1 The purpose of this condition is to calculate the term NSR_t (the National Energy System Operator separation Re-opener term). This contributes to the calculation of the Totex Allowance.
- 3.40.2 The effect of this condition is to establish a re-opener for the licensee to apply for a direction to set the value of the NSR_t term.
- 3.40.3 This condition sets out the process the Authority will follow when directing the value of NSR_t in Appendix 1 under paragraph 3.40.5.

Part A: The value of the National Energy System Operator Sseparation Re-opener term (NSR_t)

- 3.40.4 The value of NSR_t is set out in Appendix 1.

Part B: What is the scope of this Re-opener?

3.40.5 The licensee may apply to the Authority for a direction setting the value of the NSR_t term for any Regulatory Year during the Price Control Period as a result of additional efficient costs incurred due to the separation of the National Energy System Operator, where these cannot be reasonably mitigated by the licensee and for which no allowance has been provided.

3.40.6 An application under paragraph 3.40.5 may only be made:

- (a) in October 2026 or April 2027; and
- (b) during such other periods as the Authority may direct.

3.40.7 An application under paragraph 3.40.5 must be made in writing and:

- (a) provide such detailed supporting evidence as is reasonable in the circumstances to clearly identify separation costs as incremental and demonstrate that, in relation to such costs:
 - i. no allowance has been provided;
 - ii. the licensee has endeavoured to mitigate these costs as much as possible; and
 - iii. they could not be avoided.
- (b) set out the value of the NSR_t term that the licensee is requesting and the Regulatory Years to which the proposed value relates;
- (c) explain the basis of the calculation for the proposed value of the NSR_t term; and
- (d) set out the specific costs that the licensee has incurred in relation to the proposed value of the NSR_t term.

3.40.8 An application under paragraph 3.40.5 must be confined to costs incurred, or expected to be incurred, on or after 1 April 2026.

3.40.9 The Authority may make a modification under paragraph 3.40.5 where:

- (a) the licensee has made an application under paragraph 3.40.5;
- (b) the requirements in paragraphs 3.40.6 to 3.40.8 have been met; and
- (c) having regard to the information submitted by the licensee, the Authority is satisfied that the adjustments for allowances reflect the efficient costs incurred by the licensee as specified in paragraph 3.40.5.

Part C: What process will the Authority follow in making a direction?

3.40.10 Before making a direction under paragraph 3.40.5 the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) the period during which representations may be made on the proposed direction, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

3.40.11 The direction will set out the value of the NSR_t term and the Regulatory Years to which those allowances relate in Appendix 1.

Appendix 1

National Energy System Operator separation Re-opener term (NSR_t) value by Regulatory Year (£m)

26/27	27/28	28/29	29/30	30/31	Total Value (All years)
0.00	0.00	0.00	0.00	0.00	0.00

Special Condition 3.41 Property Re-opener alpha

Introduction

- 3.41.1 The purpose of this condition is to specify the value of the PRA_t (the property Re-opener alpha term). This contributes to the calculation of the Totex allowance.
- 3.41.2 The effect of this condition is to establish a Re-opener for the licensee to apply for a direction to adjust the value of the PRA_t term.
- 3.41.3 This condition sets out the process the Authority will follow when making any changes to Appendix 1 as a result of this Re-opener.

Part A: The value of the property Re-opener alpha term (PRA_t)

- 3.41.4 The value of PRA_t is set out in Appendix 1.

Part B: What is the scope of this Re-opener?

- 3.41.5 The licensee may apply to the Authority for a direction adjusting the value of the PRA_t term for any Regulatory Year during the Price Control Period for the delivery of the following projects:

- (a) Eakring Training Centre;
- (b) Bradwell Overhead Line Training Facility; and
- (c) Substation Operational Estate.

- 3.41.6 An application under paragraph 3.41.5 may be made:

- (a) between 1 April 2027 and 30 April 2027;
- (b) between 1 April 2028 and 30 April 2028; and
- (c) between 1 April 2029 and 30 April 2029.

- 3.41.7 An application under paragraph 3.41.5 must be made in writing and:

- (a) provide such detailed supporting evidence as is reasonable in the circumstances to justify the proposed option and cost efficiency, which may include cost benefit analysis, impact assessments, risk mitigation, and engineering justification statements;

- (b) set out the adjustments to the value of the PRA_t term that the licensee is requesting and the Regulatory Years to which the proposed adjustments relate;
- (c) explain the basis of the calculation for the proposed adjustments to the value of the PRA_t term; and
- (d) set out the specific works that the licensee proposes to deliver or has delivered in relation to the proposed adjustments to the value of the PRA_t term.

3.41.8 An application under paragraph 3.41.5 must only relate to the costs incurred or expected to be incurred on or after 1 April 2026.

3.41.9 A direction under paragraph 3.41.5:

- (a) may amend Appendix 1; and
- (b) will, where the PRA_t term is amended, set the value of the amended PRA_t term.

3.41.10 The Authority may make a modification under paragraph 3.41.5 where:

- (a) the licensee has made an application under paragraph 3.41.5;
- (b) the requirements in paragraphs 3.41.6 to 3.41.8 have been met; and
- (c) having regard to the information submitted by the licensee, the Authority is satisfied that:
- (d) a needs case for work of the type specified in paragraph 3.41.5 has been established;
- (e) the proposed option is justified; and
- (f) the adjustments for allowances reflect the efficient costs to the licensee of undertaking the work specified within the application.

Part C: What process will the Authority follow in making a direction?

3.41.11 Before making a direction under paragraph 3.41.5 the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction, with redactions made where appropriate;
- (b) the reasons for the proposed direction; and
- (c) the period during which representations may be made on the proposed direction, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

3.41.12 The direction will set out any adjustments to the value of the PRA_t term and the Regulatory Years to which that adjustment relates.

Appendix 1

Property Re-opener alpha term (PRA_t) value by Regulatory Year (£m)

	26/28	27/28	28/29	29/30	30/31	Total Value (All years)
Earking Training Centre	0.00	0.00	0.00	0.00	0.00	0.00
Bradwell Overhead Line Training Facility	0.00	0.00	0.00	0.00	0.00	0.00

Substation Operational Estate	0.00	0.00	0.00	0.00	0.00	0.00
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Special Condition 3.42 Property Re-opener beta (PRB_t)

Introduction

- 3.42.1 The purpose of this condition is to specify the value of the PRB_t (the property Re-opener beta term). This contributes to the calculation of the Totex allowance.
- 3.42.2 The effect of this condition is to establish a Re-opener for the licensee to apply for a direction to adjust the value of the PRB_t term.
- 3.42.3 This condition sets out the process the Authority will follow when making any changes to Appendix 1 as a result of this Re-opener.

Part A: The value of the property Re-opener beta term (PRB_t)

- 3.42.4 The value of PRB_t is set out in Appendix 1.

Part B: What is the scope of this Re-opener?

- 3.42.5 The licensee may apply to the Authority for a direction adjusting the value of the PRB_t term for any Regulatory Year during the Price Control Period for the delivery of the following projects with the scope detailed in the NGET Redacted Information Document:

- (a) Redacted;
- (b) Redacted;
- (c) Redacted; and
- (d) Redacted.

- 3.42.6 An application under paragraph 3.42.5 may be made:

- (a) between 1 April 2027 and 30 April 2027; and
- (b) between 1 April 2028 and 30 April 2028.

- 3.42.7 An application under paragraph 3.42.5 must be made in writing and:

- (a) provide such detailed supporting evidence as is reasonable in the circumstances to justify the proposed option and cost efficiency, which may include cost benefit analysis, impact assessments, risk mitigation, and engineering justification statements;
- (b) set out the adjustments to the value of the PRB_t term that the licensee is requesting and the Regulatory Years to which the proposed adjustments relate;
- (c) explain the basis of the calculation for the proposed adjustments to the value of the PRB_t term; and
- (d) set out the specific works that the licensee proposes to deliver or has delivered in relation to the proposed adjustments to the value of the PRB_t term.

3.42.8 An application under paragraph 3.42.5 must only relate to costs incurred or expected to be incurred on or after 1 April 2026.

3.42.9 A direction under paragraph 3.42.5:

- (a) may amend Appendix 1; and
- (b) will, where the PRB_t term is amended, set the value of the amended PRB_t term.

3.42.10 The Authority may make a modification under paragraph 3.42.5 where:

- (a) the licensee has made an application under paragraph 3.42.5;
- (b) the requirements in paragraphs 3.42.6 to 3.42.8 have been met; and
- (c) having regard to the information submitted by the licensee, the Authority is satisfied that:
 - (d) a needs case for work of the type specified in paragraph 3.42.5 has been established;
 - (e) the proposed option is justified; and
 - (f) the adjustments for allowances reflect the efficient costs to the licensee of undertaking the work specified within the application.

Part C: What process will the Authority follow in making a direction?

3.42.11 Before making a direction under paragraph 3.42.5 the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction, with redactions made where appropriate;
- (b) the reasons for the proposed direction; and
- (c) the period during which representations may be made on the proposed direction, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

3.42.12 The direction will set out any adjustments to the value of the PRB_t term and the Regulatory Years to which that adjustment relates.

Appendix 1

Property Re-opener beta term (PRB_t) value by Regulatory Year (£m)

	26/27	27/28	28/29	29/30	30/31	Total Value (All years)
REDACTED	Redacted	Redacted	Redacted	Redacted	Redacted	Redacted
REDACTED	Redacted	Redacted	Redacted	Redacted	Redacted	Redacted
REDACTED	Redacted	Redacted	Redacted	Redacted	Redacted	Redacted

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

Introduction

- 3.43.1 The purpose of this condition is to calculate the term TCR_t (the Tyne Crossing Project Re-opener term). This contributes to the calculation of the Totex Allowance.
- 3.43.2 The effect of this condition is to establish a Re-opener triggered by the licensee in relation to the Tyne Crossing Project.
- 3.43.3 This condition also explains the process the Authority will follow when directing any changes as a result of the Re-opener.

Part A: What is the scope of this Re-opener?

- 3.43.4 The licensee may apply to the Authority for a direction adjusting the value of the TCR_t, delivery date and output terms in Appendix 1 where there is evidence to support a well-justified needs case for the Tyne Crossing Project.

Part B: When to make an application

- 3.43.5 The licensee may apply to the Authority for an adjustment under paragraph 3.43.4:
- (a) Between 1 April 2028 and 30 April 2028; or
 - (b) during a period after the Price Control Period to be specified by the Authority by direction or during such other period as the Authority may direct.

Part C: How to make an application

- 3.43.6 An application under paragraph 3.43.4 must be made in writing to the Authority and include:
- (a) detailed justification of the expected consumer benefits, including:
 - i. an independent report which supports the socio-economic justification of the Tyne Crossing Project;
 - ii. supporting information from the ISOP which demonstrates the justification for the proposed option; and
 - iii. justification of the proposed option through clear options assessment through cost benefit analysis.
 - (b) the adjustments to the value of the TCR_t term that the licensee is requesting and the Regulatory Years to which that adjustment relates;
 - (c) an explanation of the basis of the calculation of the proposed adjustments to the value of the TCR_t term;

- (d) details of the specific works that the licensee proposes to deliver as a result of the adjustments to the value of the TCR_t term; and
- (e) information explaining whether the licensee considers that the adjustment to allowances sought and the works set out in accordance with sub-paragraphs (b) and (d) should be made an Evaluative PCD, including what delivery date and PCD output definition the licensee considers should be specified.

3.43.7 An application under paragraph 3.43.4 must relate to costs incurred or expected to be incurred on or after 1 April 2026.

Part D: What process will the Authority follow in making a direction?

3.43.8 Before making a direction under paragraph 3.43.4, the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

3.43.9 The direction will set out any adjustment to the value of the TCR_t term and the Regulatory Years to which that adjustment relates.

Appendix 1

Tyne Crossing Re-opener term (TCR_t) value by Regulatory Year (£m)

	26/27	27/28	28/29	29/30	30/31	All years
TCR_t	0	0	0	0	0	0
Delivery date	n/a					
Outputs	n/a					

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

Introduction

3.44.1 The purpose of this condition is to calculate the term BRG_t (the Bengeworth Road GSP Project Price Control Deliverable). This contributes to the calculation of the Totex Allowance.

3.44.2 The effect of this condition is to:

- (a) specify the outputs, delivery date and associated allowances for the Bengeworth Road GSP Project Price Control Deliverable; and
- (b) provide for an assessment of the Bengeworth Road GSP Price Control Deliverable and a reduction in allowances if the licensee does not deliver the PCD as specified output as defined in Appendix 1.

3.44.3 This condition also explains the process the Authority will follow when directing any changes under Part C.

Part A: Formula for calculating the Bengeworth Road GSP Project Price Control Deliverable term (BRG_t)

3.44.4 The value of BRG_t is derived in accordance with the following formula:

$$BRG_t = (BRGS1_t + BRGS2) - BRGRA_t$$

where:

$BRGS1_t$ means the allowance in Appendix 2 related to Bengeworth Rd stage 1; and

$BRGS2_t$ means the allowance in Appendix 1 related to Bengeworth Rd stage 2; and

$BRGRA_t$ has the value zero unless otherwise directed by the Authority in accordance with Part C.

Part B: What is the licensee funded to deliver?

3.44.5 Appendix 1 specifies the outputs for Bengeworth Road GSP Project stage 2 Price Control Deliverable that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Assessment of outputs ($BRGRA_t$) and ($BRGS1_t$)

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

3.44.7 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for $BRGS1_t$ where the licensee has not Fully Delivered an output in Appendix 2.

Part D: What process will the Authority follow in making a direction?

3.44.8 Before making a direction under paragraph 3.44.6, the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and

- (c) a period during which representations may be made on the proposed direction, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

3.44.9 The direction will set out:

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

Appendix 1

Bengeworth Road GSP stage 2 Project Price Control Deliverable Outputs (£m)

	26/27	27/28	28/29	29/30	30/31	All years
BRGS2_t	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED
Delivery date	As specified in the NGET Redacted Information Document					
Outputs	As specified in the NGET Redacted Information Document					

Appendix 2

Bengeworth road GSP stage 1 Project Price Control Deliverable Outputs (£m)

	26/27	27/28	28/29	29/30	30/31	All years
BRGS1_t	0.00	0.00	0.00	0.00	0.00	0.00
Delivery date	As specified in the NGET Redacted Information Document					
Outputs	As specified in the NGET Redacted Information Document					

Special Condition 3.45 REDACTED substation upgrade Price Control Deliverable (IASU_t)

Introduction

- 3.45.1 The purpose of this condition is to calculate the term IASU_t (the REDACTED substation upgrade Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.
- 3.45.2 This condition specifies the outputs, delivery dates and associated allowances for the Price Control Deliverable.
- 3.45.3 This condition also explains the process the Authority will follow when assessing the Price Control Deliverable.

Part A: Formula for calculating REDACTED Substation Upgrade Price Control Deliverable term (IASU_t)

- 3.45.4 The value of IASU_t is derived in accordance with the following formula:

$$IASU_t = IASUA_t - IASUR_t$$

where:

IASUA_t means the allowance set out in Appendix 1; and

IASUR_t has the value zero, unless otherwise directed by the Authority in accordance with Part C.

Part B: What is the licensee funded to deliver?

- 3.45.5 Appendix 1 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Assessment of outputs (IASUR_t)

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

Part A: What process will the Authority follow in making a direction?

- 3.45.7 Before making a direction under paragraph Part C, the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction; and
 - (c) a period during which representations may be made on the proposed direction, which will be up to 28 days unless the Authority determines that a longer period is appropriate.
- 3.45.8 The direction will set out:

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

Appendix 1

REDACTED Substation Upgrade PCD allowance by Regulatory Year (£m)

	26/27	27/28	28/29	29/30	30/31	All years
$IASU_t$	13.09	5.97	3.30	0.02	0.00	22.38

Delivery date	As specified in the NGET Redacted Information Document
Outputs	As specified in the NGET Redacted Information Document

Special Condition 3.46 Not Used

Special Condition 3.47 NGET non-load related major projects Re-opener and Price Control Deliverable ($NGETNLMP_t$)

Introduction

- 3.47.1 The purpose of this condition is to calculate the term $NGETNLMP_t$ (the NGET non-load major projects Re-opener term). This contributes to the calculation of the Totex Allowance.
- 3.47.2 The effect of this condition is for all projects named in Part B to:
- (a) establish a Re-opener for the licensee to apply for adjustments to the NGET non-load major projects Re-opener $NGETNLMPR_t$ term;
 - (b) for the licensee to apply for adjustments to the Price Control Deliverable and associated allowances;
 - (c) specify the outputs, delivery dates and associated allowances for the Price Control Deliverables;
 - (d) provide for an assessment of the Price Control Deliverables.
- 3.47.3 This condition sets out the process the Authority will follow when making any changes under paragraph 3.47.11 to Appendix 2 and Appendix 3 as a result of the NGET non-load major projects Re-opener.

Part A: Formula for calculating the $NGETNLMP_t$

- 3.47.4 The value of $NGETNLMP_t$ is derived in accordance with the following formula:

$$NGETNLMP_t = \sum_{n=1}^8 NGETNLMPR_t - \sum_{n=1}^8 NGETNLMPA_t$$

where:

- | | |
|------------------------|--|
| NGETNLMPR _t | means the sum of allowances set out in Appendix 2, as directed by the Authority in accordance with Part D; |
| NGETNLMPA _t | has the value zero unless directed by the Authority in accordance with Part E; and |
| n | means the project number as specified in Appendix 1. |

Part B: NGET non-load major projects Re-opener

3.47.5 The licensee may apply to the Authority for a direction setting the value of NGETNLMPR_t and adjusting the Price Control Deliverables specified within Appendix 2 and Appendix 3:

- (a) Project 1 - St Johns Wood 275kV Rationalisation;
- (b) Project 2 - Barking Substation Replacement;
- (c) Project 3 - West London Cables Strategy;
- (d) Project 4 - LTP2 Decommissioning;
- (e) Project 5 - Severn Crossing Cable Replacement;
- (f) Project 6 - Fawley Substation & Fawley-Chilling Cable Replacement; and
- (g) Project 7 - Kirkstall A Skelton Grange Cable Project.

3.47.6 Appendices 2 and 3 specify the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the associated allowances.

3.47.7 The licensee may submit, either together or separately:

- (a) optioneering assessment submissions to adjust the Price Control Deliverables specified in Appendix 3; and
- (b) non-load project assessment submissions to adjust the allowances in Appendix 2.

Part C: Application Periods

3.47.8 The licensee may only apply to the Authority for an adjustment under Part B during:

- (a) April 2027;
- (b) April 2028; or
- (c) April 2029.

Part D: How to make an application

3.47.9 The licensee may apply to the Authority for modifications to Appendix 2 and Appendix 3 under this Part, where the requirements specified in paragraph 3.47.10 apply.

3.47.10 An application for projects specified in Appendix 1 must be made in writing and include, for each project, a written application for allowances confined to Non-Load Related Expenditure incurred or expected to be incurred on or after 1 April 2026 and which details as a minimum:

(a) for the optioneering assessment:

- i. the completion of proposed options to at least Stage 2 (as defined in RIGs) level of design;
- ii. an estimated cost for each option presented;
- iii. identification of the preferred option, and how that option has changed according to the scope in Appendix 1 and Appendix 3;
- iv. a whole life cost-based cost benefit analysis for the project options;
- v. where relevant to the projects need case and optioneering, provide asset condition data which aligns to the proposed interventions by NGET;
- vi. proposed delivery year(s); and

(b) for the non-load project assessment:

- i. the completion of proposed options to at least Stage 3 (as defined in RIGs) level of design;
- ii. Clarifications of any design changes which have altered costs of the project post optioneering assessment;
- iii. The tendered cost of the entire project, detailing clearly how the allowances for the projects listed at paragraph 3.47.5 which were granted under Special Condition 3.15 have been used;
- iv. Cost submitted in a Regulatory Reporting Pack format using the Ofgem Asset Possibilities (OAP);
- v. Proposed delivery year(s).

3.47.11 The Authority may by direction, modify Appendix 2 and Appendix 3 if it is satisfied that the conditions specified in 3.47.10 have been met.

Part E: Assessment of the NGET non-load major projects term Price Control Deliverable (NGETNLMPA_{At})

3.47.12 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for NGETNLMPA_{At} where the licensee has not Fully Delivered an output in Appendix 3.

Part F: What process will the Authority follow in making a direction

3.47.13 Before making a direction under Part D or Part E the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

3.47.14 A direction under Part D will set out whether the submission type is an optioneering assessment or a project assessment for each project.

3.47.15 A direction under Part E will set out:

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

3.47.16 With regards to the provision of funding for projects 1-78 in Appendix 3 & and Appendix 4 contained within $NGETNLMPR_t$

- i. for each project, applicable Submission Type, being either Optioneering Assessment or Project Assessment.
- ii. the text of the proposed direction;
- iii. the reasons for the proposed direction; and
- iv. a period during which representations may be made on the proposed direction, which will be up to not be less than 28 days.

Appendix 1

Project Number and Scope

Project Table		
Project Number	Project Title	Scope at Final Determinations.
1	St Johns Wood 275kV Rationalisation	The Rationalisation and replacement of the St Johns Wood 275kV substation with an additional 400kV connection and SGT.
2	Barking Substation Replacement	The replacement of the 275kV Substation at Barking with 400kV SF6 free Switchgear at a remote location.
3	West London Cables Strategy	The replacement of West London Cables with 400kV capable cable and the revisions to substations.

4	LPT2 Decommissioning	The removal and capping of oil filled 275kV cables made redundant on completion of LPT2.
5	Severn Crossing Cable Replacement	The replacement and uprating of the Severn Crossing Cable via a new Severn Tunnel.
6	Fawley Substation & Fawley-Chilling Cable Replacement	The replacement of Fawley 400kV and 132kV substations and the replacement of the Fawley – Chilling Cable Tunnel.
7	Kirkstall A – Skelton Grange Cable Project	The removal of oil filled cables and replacement with modern higher rated equivalents including additional resilience works.
8	Substation Cables Portfolio	The replacement of unhealthy substation cables.

Appendix 2

NGETNLMPR_{Rt} Allowances by Regulatory Year (£m)

Project	Project Title	2026/27	2027/28	2028/29	2029/30	2030/31	Total
1	St Johns Wood 275kV Rationalisation	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED
2	Barking Substation Replacement	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED
3	West London Cables Strategy	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED
4	LPT2 Decommissioning	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED
5	Severn Crossing Cable Replacement	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED
6	Fawley Substation & Fawley-Chilling Cable Replacement	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED
7	Kirkstall A – Skelton Grange Cable Project	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED

Project	Project Title	2026/27	2027/28	2028/29	2029/30	2030/31	Total
8	Substation Cables Portfolio	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED

Appendix 3

NGETNLMPR_{Rt} Price Control Deliverables

Project Number	Project Title	Project Deliverables
1	St Johns Wood 275kV Rationalisation	NGET Redacted Information Document
2	Barking Substation Replacement	NGET Redacted Information Document
3	West London Cables Strategy	NGET Redacted Information Document
4	LPT2 Decommissioning	NGET Redacted Information Document
5	Severn Crossing Cable Replacement	NGET Redacted Information Document
6	Fawley Substation & Fawley-Chilling Cable Replacement	NGET Redacted Information Document
7	Kirkstall A – Skelton Grange Cable Project	NGET Redacted Information Document
8	Substations Cable Portfolio	NGET Redacted Information Document

Special Condition 3.48 NLRE Named Price Control Deliverables (NPA_t)

Introduction

- 3.48.1 The purpose of this condition is to calculate the term NPA_t (the annual allowance for the NLRE Named Price Control Deliverables term). This contributes to the calculation of the Totex Allowance.
- 3.48.2 The effect of this condition is to:
- (a) specify the outputs and associated allowances for NLRE Named Price Control Deliverables; and
 - (b) provide for an assessment of the Price Control Deliverables and a reduction in allowances if the licensee does not deliver the Price Control Deliverables as specified.
 - (c) provide for the calculation of the annual allowance for Named Pipeline Deliverables.

Part A: Formula for calculating the annual allowance for the NLRE Named Price Control Deliverable term (NPA_t)

- 3.48.3 The value of NPA_t is derived in accordance with the following formula:

$$NPA_t = NPB_t + NPP_t$$

Where:

NPB_t	means the annual allowance for Named Baseline Deliverables calculated in accordance with Part B, and
NPP_t	means the annual allowance for Named Pipeline Deliverables calculated in accordance with Part E,

Part B: Formula for calculating the annual allowance for Named Baseline Deliverables (NPB_t)

3.48.4 The value of NPB_t is derived in accordance with the following formula:

$$NPB_t = NPE_t - NPR_t$$

NPE_t	means the sum of allowances for the Named Baseline Deliverables in Regulatory Year t in Appendix 1.
NPR_t	has the value zero, unless otherwise directed by the Authority in accordance with Part D.

Part C: What is the licensee funded to deliver through the annual allowance for Named Baseline Deliverables (NPB_t)?

3.48.5 Appendix 1 specifies the outputs that the licensee is funded to deliver through the NPB_t term, the delivery dates for those outputs and the allowances provided for each output.

Part D: Assessment of the Named Baseline Deliverables

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

Part E: Formula for calculating the annual allowance for Named Pipeline Deliverables (NPP_t)

3.48.7 The value of NPP_t is derived in accordance with the following formula:

$$NPP_t = \sum_{n=1}^x NPPC_n * NPD I_{n,t}$$

Where:

$NPPC_n$	is the allowance for the Named Pipeline Deliverable with the identification number n specified in Appendix 2; and
$NPD I_{n,t}$	takes the value one if the Named Pipeline Deliverable with the identification number n is delivered in the Regulatory Year t, and takes the value zero otherwise.

Part F: Funding for Named Pipeline Deliverables delivered in the first year of the next price control period

3.48.8 If the licensee commences work in the Price Control Period to deliver a Named Pipeline Deliverable and completes delivery in the Regulatory Year

commencing on 1 April 2031, the Authority will provide the allowance specified in Appendix 2 for that Named Pipeline Deliverable in the next price control period.

Part G: What process will the Authority follow in making a direction under Part D?

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

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

3.48.10 The direction will set out:

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

Appendix 1

Annual allowances for the Named Baseline Deliverables by Regulatory Year (NP_{Et})

Asset Type	Named Baseline Deliverable	Delivery Date	2026/27	2027/28	2028/29	2029/30	2030/31
Has the values given in the NGET Redacted Information Document							

Appendix 2

Allowance for Named Pipeline Deliverables (NP_{PCn})

Asset Type	Named Pipeline Deliverable identification number n	Named Pipeline Deliverable	Delivery date	Allowance (NP _{PCn})
Has the values given in the NGET Redacted Information Document				

Special Condition 3.49 NLRE Volume Price Control Deliverables (VPA_t)

Introduction

- 3.49.1 The purpose of this condition is to calculate the term VPA_t (the annual allowance for the NLRE Volume Price Control Deliverables). This term contributes to the calculation of the Totex Allowance.
- 3.49.2 The effect of this condition is to:
- (a) specify the outputs and associated allowances for NLRE Volume Price Control Deliverables; and
 - (b) provide for an assessment of the Price Control Deliverables and a reduction in allowances if the licensee does not deliver the maximum number of units as specified in Appendix 3.
 - (c) specify a process for making changes to the maximum number of units funded by the allowances as specified in Appendix 3.
- 3.49.3 This condition specifies the allowances for the Price Control Deliverables and adjustments to those allowances.

Part A: Formula for calculating the annual NLRE Volume Price Control Deliverable term (VPA_t)

- 3.49.4 The value of VPA_t is calculated in accordance with the following formula:

$$VPA_t = \min(VPE_t - VPR_t, \max(0, \sum_{2026}^{2031} VPE_t - \sum_{2026}^{t-1} VPA_t))$$

Where:

- VPE_t means the ex ante annual allowance for NLRE Volume Price Control Deliverables in Regulatory Year t specified in Appendix 1.
- VPR_t takes the value zero on 1 April 2026, and is replaced after the end of the Regulatory Year t by a value derived in accordance with the following formula:

$$VPR_t = VPE_t - \sum_{n=1}^x VPUC_n * \min(VPD_{n,t}, \max(0, VPM_n - \sum_{2026}^{t-1} VPD_{n,t}))$$

Where:

- $VPUC_n$ means the unit cost applicable to the Volume Price Control Deliverable group n specified in Appendix 2
- $VPD_{n,t}$ means the number of units of Volume Price Control Deliverable group n delivered in Regulatory Year t.

VPM_n means the maximum number of units of Volume Price Control Deliverable group n funded by the allowances as specified in Appendix 3

Part B: What is the licensee funded to deliver?

3.49.5 The licensee is funded to deliver the maximum number of units specified in Appendix 3.

Part C: Process for making changes to the maximum number of units funded by the allowances as specified in Appendix 3 (VPM_n)

3.49.6 The licensee may apply to the Authority for modifications to the maximum number of units funded by allowances specified in Appendix 3. Any application under this Part may only be submitted to the Authority during April 2029.

3.49.7 Applications for modifications submitted under this Part must include as a minimum:

- (a) The requested changes to the maximum number of units funded by allowances for each Volume Price Control Deliverable group;
- (b) Evidence of the need for the requested changes, in each case setting out how the change would benefit consumers;
- (c) The number of units of each Volume Price Control Deliverable group delivered and forecast to be delivered in each Regulatory Year in the Price Control Period;
- (d) The number of units of each Volume Price Control Deliverable group for which work has started or is forecast to start in the Price Control Period, and which is forecast to be delivered in the Regulatory Year commencing on 1 April 2031; and
- (e) Confirmation, along with supporting calculations, that the requested changes will not lead to an increase in aggregate funding for NLRE Volume Price Control Deliverables in the Price Control Period.
- (f) A modification under this Part to the maximum number of units funded by allowances in Appendix 3 will be made under s11A of the Act.

Part D: Funding for units delivered in the first year of the next price control period

3.49.8 The Authority intends to allow funding in the price control period commencing on 1 April 2031 for units delivered in the Regulatory Year commencing on 1 April 2031 and where work to deliver those units was started in the Price Control Period.

3.49.9 This funding is subject to the constraint that the aggregate amount of funding provided under this condition will not exceed the aggregate amount of ex ante funding for NLRE Volume Price Control Deliverables calculated by aggregating the value of VPET as specified in Appendix 1 over the Price Control Period.

Appendix 1

Ex ante annual allowance for NLRE Volume Price Control deliverables per Regulatory Year (VPE_t)

	2026/27	2027/28	2028/29	2029/30	2030/2031	Total
VPE_t	58.12	89.67	125.60	136.48	85.37	495.24

Appendix 2

Unit costs for the Volume Price Control Deliverable group n ($VPUC_n$)

Group <i>n</i>	Volume deliverable Group	Unit Cost (£m)
Has the values given in the NGET Redacted Information Document		

Appendix 3

Maximum number of units funded by NLRE Volume Price Control Deliverables (VPM_n) allowances

Group n	Volume deliverable group	Maximum number of units funded by allowances ($VPBM_n$)
Has the values given in the NGET Redacted Information Document		

Special Condition 3.50 NLRE Combi Price Control Deliverable (CPA_t)

Introduction

- 3.50.1 The purpose of this condition is to calculate the term CPA_t (the annual allowance for the NLRE Combi Price Control Deliverable). This term contributes to the calculation of the Totex Allowance.
- 3.50.2 The effect of this condition is to:
- (a) specify the outputs and associated allowances for NLRE Volume Combi Price Control Deliverables and NLRE Named Combi Price Control Deliverables;
 - (b) provide for an assessment of the Price Control Deliverables and a reduction in allowances if the licensee does not deliver the Price Control Deliverables as specified in this condition;
 - (c) specify a process for making changes to the maximum number of units funded by the allowances as specified in Appendix 3; and
 - (d) provide for the calculation of the annual allowance for Named Combi Pipeline Deliverables.
- 3.50.3 This condition specifies the allowances for the Price Control Deliverables and adjustments to those allowances.

Part A: Formula for calculating the annual NLRE Combi Price Control Deliverable term (CPA_t)

3.50.4 The value of CPA_t is calculated in accordance with the following formula:

$$3.50.5 \quad CPA_t = CPV_t + CPN_t$$

Where:

CPV_t means the annual allowance for Volume Combi Deliverables calculated in accordance with Part B.

CPN_t means the annual allowance for Named Combi Deliverables calculated in accordance with Part F.

Part B: Formula for calculating the annual allowance for Volume Combi Price Control Deliverables (CPV_t)

3.50.6 The value of CPV_t is calculated in accordance with the following formula:

$$CPV_t = \min (VCPE_t - VCPR_t, \max (0, \sum_{2026}^{2031} VCPE_t - \sum_{2026}^{t-1} CPV_t))$$

Where:

$VCPE_t$ means the ex ante annual allowance for NLRE Volume Combi Deliverables in Regulatory Year t specified in Appendix 1.

$VCPR_t$ takes the value zero on 1 April 2026, and is replaced after the end of the Regulatory Year t by a value derived in accordance with the following formula:

$$VCPR_t = VCPE_t - \sum_{n=1}^x VCPUC_n * \min (VCPD_{n,t}, \max (0, VCPM_n - \sum_{2026}^{t-1} VCPD_{n,t}))$$

Where:

$VCPUC_n$ means the unit cost applicable to the Volume Combi Deliverable group n specified in Appendix 2.

$VCPD_{n,t}$ means the number of units of Volume Combi Deliverable group n delivered in Regulatory Year t that has met the criteria specified in paragraph 3.50.2.

$VCPM_n$ means the maximum number of units of Volume Combi Deliverable group n funded by the allowances as specified in Appendix 3

3.50.7 For any Volume Combi Deliverable to be included in the calculation of the $VCPD_{n,t}$ term it must have been assigned an End of Life Modifier Score of 75 or above in the Regulatory Year of delivery. The End of Life Modifier Score must have been calculated pursuant to the licensee's Network Asset Risk Annex in

accordance to Special Condition 9.2 (Network Asset Risk Metric methodology) in force in the Regulatory Year of delivery.

3.50.8 The value of CPV_t is calculated in accordance with the following formula:

$$CPV_t = VCPB_t + VCPP_t - VCPR_t$$

3.50.9 The value of $VCPB_t$ is derived in accordance with the following formula:

3.50.10 The Authority will, in accordance with the approach set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements) consider directing a value for $VCPR_t$ where the licensee has not Fully Delivered an output specified in met the Volume Combi Price Control Deliverable.

Part C: What is the licensee funded to deliver?

3.50.11 The licensee is funded to deliver the maximum number of units specified in Appendix 3.

Part D: Process for making changes to the maximum number of units funded by the allowances as specified in Appendix 3 (VCPMn)

3.50.12 The licensee may apply to the Authority for modifications to the maximum number of units funded by allowances specified in Appendix 3. Any application under this Part may only be submitted to the Authority during April 2029.

3.50.13 Applications for modifications submitted under this Part must include as a minimum:

- (a) The requested changes to the maximum number of units funded by allowances for each Volume Combi Deliverable group;
- (b) Evidence of the need for the requested changes, in each case setting out how the change would benefit consumers;
- (c) Numbers of units of each Volume Combi Deliverable group delivered and forecast to be delivered in each Regulatory Year in the Price Control Period;
- (d) The number of units of each Volume Combi Deliverable group for which work has started or is forecast to start in the Price Control Period, and which is forecast to be delivered in the Regulatory Year commencing on 1 April 2031; and
- (e) Confirmation, along with supporting calculations, that the requested changes will not lead to an increase in aggregate funding for NLRE Volume Combi Deliverables in the Price Control Period.
- (f) A modification under this Part to the maximum number of units funded by allowances in Appendix 3 will be made under under s11A of the Act.

Part E: Funding for units delivered in the first year of the next price control period

3.50.14 The Authority intends to allow funding in the price control period commencing on 1 April 2031 for units delivered in the Regulatory Year commencing on 1

April 2031 and where work to deliver those units was started in the Price Control Period.

3.50.15 This funding is subject to the constraint that the aggregate amount of funding provided under this condition for NLRE Volume Combi Deliverables will not exceed the aggregate amount of ex ante funding for NLRE Volume Combi Deliverables calculated by aggregating the value of $VCPE_t$ as specified in Appendix 1 over the Price Control Period.

Part F: Formula for calculating the annual allowance for Named Combi price control deliverables (CPN_t)

3.50.16 The value of CPN_t is derived in accordance with the following formula:

$$CPN_t = CNPB_t + CNPP_t$$

Where:

$CNPB_t$ means the annual allowance for Named Combi Baseline Deliverables calculated in accordance with Part G, and

$CNPP_t$ means the annual allowance for Named Combi Pipeline Deliverables calculated in accordance with Part J,

Part G: Formula for calculating the annual allowance for Named Combi Baseline Deliverables (CNPB_t)

3.50.17 The value of CNPB_t is derived in accordance with the following formula:

$$CNPB_t = CNPE_t - CNPR_t$$

Where:

$CNPE_t$ means the sum of allowances for the Regulatory Year t in Appendix 4.

$CNPR_t$ has the value zero, unless otherwise directed by the Authority in accordance with Part I.

Part H: What is the licensee funded to deliver through the annual allowance for Named Combi Baseline Deliverables (CNPB_t)?

3.50.18 Appendix 4 specifies the outputs that the licensee is funded to deliver through the CNPB_t term, the delivery dates for those outputs and the allowances provided for each output.

Part I: Assessment of the Named Combi Baseline Deliverables

3.50.19 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements) consider directing a value for $CNPR_t$ where the licensee has not Fully Delivered an output in Appendix 4.

Part J: Formula for calculating the annual allowance for Named Combi Pipeline Deliverables (CNPP_t)

3.50.20 The value of CNPP_t is derived in accordance with the following formula:

$$CNPP_t = \sum_{n=1}^x CNPPC_n * CNPDI_{n,t}$$

Where:

$CNPPC_n$ is the allowance for the Named Combi Pipeline Deliverable with the identification number n specified in Appendix 5

$CNPDI_{n,t}$ takes the value one if the Named Combi Pipeline Deliverable with the identification number n is delivered in the Regulatory Year t, and takes the value zero otherwise.

Part K: Funding for Named Combi Pipeline Deliverables delivered in the first year of the next price control period

3.50.21 If the licensee commences work in the Price Control Period to deliver a Named Combi Pipeline Deliverable and completes delivery in the Regulatory Year commencing on 1 April 2031, the Authority will provide the allowance specified in Appendix 5 for that Named Combi Pipeline Deliverable in the next price control period.

Part L: What process will the Authority follow in making a direction?

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

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

3.50.23 The direction will set out:

- (a) the value of the $CNPR_t$ term and the Regulatory Years to which that adjustment relates; and
- (b) the methodology and data that has been used to decide the value of the $CNPR_t$ term.

Appendix 1

Ex ante annual allowance for Volume Combi Deliverables by Regulatory Year (VCPE_t)

	2026/27	2027/28	2028/29	2029/30	2030/2031	Total
VCPE _t	67.26	103.84	90.63	82.95	77.14	421.82

Appendix 2

Unit costs for the Volume Combi Deliverable group n (VCPUC_n)

Group n	Volume deliverable Group	Unit Cost
1	Has the values given in the NGET Redacted Information Document	

Appendix 3

Maximum number of units funded by allowances (VCPM_n)

Group n	Volume deliverable group	Maximum number of units funded by baseline allowances (VCPBM _n VCPM _n)
Has the values given in the NGET Redacted Information Document		

Appendix 4

Annual allowances for the Named Combi Baseline Deliverables by Regulatory Year (CNPE_t)

Asset Type	Named Deliverable	Delivery date	2026/27	2027/28	2028/29	2029/30	2030/31
Has the values given in the NGET Redacted Information Document							

Appendix 5

Allowance for named Combi Pipeline Deliverables (CNPPC_n)

Asset Type	Named pipeline deliverable identification number n	Named pipeline deliverable	Delivery date	Allowance (CNPPC _n)
Has the values given in the NGET Redacted Information Document				

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

Introduction

3.51.1 The purpose of this condition is to calculate the term NGETVSB_t (NGET V-String Busbars term). This contributes to the calculation of the Totex Allowance.

3.51.2 The effect of this condition is for the V-String busbar replacement project to:

- (a) establish an Authority triggered Re-opener for adjustments to the NGET V-String busbars replacement project NGETVSB_{Rt} term;
- (b) specify the outputs, delivery dates and associated allowances for the Price Control Deliverable;
- (c) provide for an assessment of the Price Control Deliverable.

3.51.3 This condition also explains the process the Authority will follow when directing any changes under this condition.

Part A: Formula for calculating the NGETVSB_t

3.51.4 The value of NGETVSB_t is derived in accordance with the following formula:

$$NGETVSB_t = NGETVSB_{Rt} - NGETVSB_{At}$$

where:

- NGETVSB_{Rt}* means the allowance provided in accordance with the process in Part B and the outputs specified in Appendix 2; and
- NGETVSB_{At}* has the value Zero unless directed by the authority in accordance with Part D.

Part B: What is the licensee funded to deliver?

- 3.51.5 Appendix 2 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances associated with those outputs.
- 3.51.6 The Authority will consider a direction adjusting the value of the *NGETVSB_{Rt}* term in respect of the licensee V-String busbar replacement project in accordance with Part C of this Condition.

Part C: V-String Busbar Replacement Re-opener

- 3.51.7 The Authority will invite the licensee to apply for an modification to Appendix 1 and Appendix 2 under paragraph 3.51.8 when the licensee has demonstrated that five trial site V-String replacement works have been completed.

Part D: How to make an application

- 3.51.8 The licensee's application to the Authority will conform with the requirements specified in paragraph 3.51.9 .
- 3.51.9 An application for the V-String busbar replacement Re-opener must be made in writing and include, as a minimum, for each V-String busbar replacement proposed:
- (a) per Substation, which V-String busbars are to be replaced and those which are not;
 - (b) the cost for each V-String busbar to be replaced;
 - (c) the date of replacement for each V-String Bbusbar; and
 - (d) analysis on earlyasset write off (EAWO) for each site ahead of 2050.
- 3.51.10 The Authority may by direction, modify Appendix 1 and Appendix 2 if it is satisfied that the conditions specified in paragraphs 3.51.9 have been met. Any modification under this Part D will be made under section 11A of the Act.

Part E: Assessment of Price Control Deliverable

- 3.51.11 Before making a direction under Part E, the Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for *NGETVSB_{At}* where the licensee has not Fully Delivered an output in Appendix 2.

Part F: What process will the Authority follow in making a direction

3.51.12 Before making a direction under Part D the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

3.51.13 A direction under paragraph 3.51.13 will set out:

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

3.51.14 The direction will set out any adjustments to the value of $NGETVSB_t$, the Price Control Deliverables in Appendix 2 and the Regulatory Years to which that adjustment relates in Appendix 1.

Appendix 1

Project Allowance by Regulatory Year (£m)

	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	All Years
$NGETVSB_{Rt}$	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Appendix 2

NGET V-String Replacement Price Control Deliverable

Site	V-String replace	V-Strings not replaced	Delivery date
NGET Redacted Information Document	NGET Redacted Information Document	NGET Redacted Information Document	NGET Redacted Information Document

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

Introduction

3.52.1 The purpose of this condition is to calculate the term $NGETRC_t$ (the NGET Reactive Compensation term). This contributes to the calculation of the Totex Allowance.

3.52.2 The effect of this condition is to:

- (a) establish a Re-opener for the licensee to trigger amendments to the Reactive Compensation Price Control Deliverable during the Price Control Period; and
- (b) specify the outputs, delivery dates and associated allowances for the Reactive Compensation Price Control Deliverables;
- (c) provide for an assessment of the Price Control Deliverable.

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

Part A: Formula for calculating $NGETRC_t$

3.52.4 The value of $NGETRC_t$ is derived in accordance with the following formula:

$$NGETRC_t = NGETRC_{Rt} - NGETRC_{At}$$

Where:

- $NGETRC_{Rt}$ means the allowance provided in accordance with the process in Part C and the outputs specified in Appendix 2;
- $NGETRC_{At}$ has the value zero unless directed by the Authority in accordance with Part Dt.

Part B: What the licensee is funded to deliver

3.52.5 Appendix 2 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances associated with those outputs.

Part C: Reactive compensation Re-opener

3.52.6 This Re-opener may be used where there is:

- (a) a need for an intervention on an existing reactive compensation asset, which is not a reactor included in NGET's existing asset base;
- (b) an instruction by the ISOP for NGET to deliver additional reactive compensation through an NGET intervention.

3.52.7 The Authority may make modifications under this Re-opener at any time during the Price Control Period.

3.52.8 The licensee may only apply to the Authority for a modification to Appendix 1 and Appendix 2 in the month of April 2028 under this Part, where the requirements specified in paragraph 3.52.9 apply.

3.52.9 An application for the NGET reactive compensation Re-opener must be made in writing and include, for each reactive compensation intervention proposed:

- (a) The specific asset due for intervention;
- (b) ISOP confirmation of the need for the asset and the capability of the asset;
- (c) The completion of proposed options to a Stage 2 (as defined in RIGs) level of design;
- (d) An estimated cost for each asset proposed for intervention;

- (e) Where relevant to the intervention proposed asset condition data; and
- (f) proposed delivery year(s) for each intervention.

3.52.10 The Authority may modify Appendix 1 and Appendix 2 if it is satisfied that the conditions specified in paragraph 3.52.9 have been met. Any modification under this Part C or Part D will be made under section 11A of the Act.

Part D: Assessment of Price Control Deliverable

3.52.11 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for $NGETRC_{At}$ where the licensee has not Fully Delivered an output in Appendix 2.

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

3.52.12 Before making a direction under Part D the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

3.52.13 A direction under paragraph 3.52.12 will set out:

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

3.52.14 The direction will set out:

- (a) any adjustments to the value of the $NGETRC_{Rt}$ term and the Regulatory Years to which that adjustment relates; and
- (b) clarify that changes have been made to the deliverables in Appendix 2.

Appendix 1

Project Allowance by Regulatory Year (£m)

	2026/27	2027/28	2028/29	2029/30	2030/2031	Total
$NGETRC_{Rt}$	0.00	0.00	0.00	0.00	0.00	0.00

Appendix 2

NGET Reactive Compensation Price Control Deliverable

Project Table

Site	Asset type	Intervention proposed	Allowances	Delivery date
NGET Redacted Information Document	NGET Redacted Information Document	NGET Redacted Information Document	NGET Redacted Information Document	NGET Redacted Information Document

Chapter 4: Output Delivery Incentives

Special Condition 4.1 Total output delivery incentive performance

Introduction

- 4.1.1 The purpose of this condition is to calculate ODI_t (the output delivery incentives term). This contributes to the calculation of Calculated Revenue in Special Condition 2.1 (Revenue restriction).

Part A: Formula for calculating total output delivery incentive performance

- 4.1.2 The value of ODI_t is derived in accordance with the following formula:

$$ODI_t = ENSI_t + IIGI_t + CON_t + IDI_t + SOTO_t + ASTII_t + MPI_t$$

where:

- $ENSI_t$ is derived in accordance with Special Condition 4.2 (Energy not supplied output delivery incentive);
- $IIGI_t$ is derived in accordance with Special Condition 4.3 (Insulation And Interruption Gas emissions output delivery incentive);
- CON_t is derived in accordance with Special Condition 4.4 (Connections output delivery incentive).
- IDI_t is derived in accordance with Special Condition 4.5 (Innovative Delivery output delivery incentive);
- $SOTO_t$ is derived in accordance with Special Condition 4.6 (SO-TO optimisation output delivery incentive);
- $ASTII_t$ is derived in accordance with Special Condition 4.7 (ASTI output delivery incentive); and
- MPI_t is derived in accordance with Special Condition 4.8 (Major Projects output delivery incentive).

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

Introduction

- 4.2.1 The purpose of this condition is to provide for the calculation of the term $ENSI_t$ (the energy not supplied output delivery incentive term). This contributes to the calculation of the term ODI_t (the output delivery incentives term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 4.2.2 The effect of this incentive is to reward or penalise the licensee's performance in relation to Incentivised Loss of Supply Events.
- 4.2.3 This condition also places obligations on the licensee:

- (a) to maintain and use best endeavours to comply with the ENS Incentive Methodology Statement;
- (b) in relation to the notification and treatment of ENS Exceptional Events; and
- (c) in relation to Incentivised Loss of Supply Events.

Part A: Formula for calculating the energy not supplied output delivery incentive term (ENSI_t)

4.2.4 The value of the term ENSI_t is derived in accordance with the following formula:

$$ENSI_t = \max[VOLL_t \cdot TIMR(ENST_t - ENSA_t), -RIDPA \cdot RORE]$$

where:

VOLL _t	means the value of lost load which has the value £25,393 per MWh;
TIMR	means the Totex Incentive Mechanism Rate, and in this formula has the value of 25 per cent;
ENST _t	means the Incentivised Loss of Supply Events volume target and has the value of 125MWh;
ENSA _t	means the sum volume of all Incentivised Loss of Supply Events as calculated by the licensee in accordance with this condition;
RIDPA	means the maximum annual downside percentage adjustment, and has the value of 0.38 per cent; and
RORE	means Return on Regulated Equity.

Part B: ENS Incentive Methodology Statement

- 4.2.5 The licensee must have in place an ENS Incentive Methodology Statement approved by the Authority.
- 4.2.6 When preparing the ENS Incentive Methodology Statement, the licensee must have regard to:
 - (a) the approaches taken by the other Transmission Licensees subject to a condition of equivalent effect to this condition; and
 - (b) the NETS SQSS.
- 4.2.7 The licensee must use its best endeavours to apply the methodology in the ENS Incentive Methodology Statement.
- 4.2.8 The licensee, in consultation with the other Transmission Owners in whose licence a condition equivalent to this one has effect, must from time to time and at least once during the Price Control Period, review and propose any revisions to the ENS Incentive Methodology Statement as may be necessary in order to ensure that it continues to enable the reasonable estimation of the volume of Incentivised Loss of Supply Events.

- 4.2.9 Before revising the ENS Incentive Methodology Statement, the licensee must provide a copy of the proposed revisions to the Authority.
- 4.2.10 The Authority will:
- (a) approve the proposed revisions;
 - (b) reject the proposed revisions; or
 - (c) reject the proposed revisions and give recommendations as to alternative revisions that it considers should be made.
- 4.2.11 The Authority may direct changes to the value of the $ENST_t$ term in any Regulatory Year as a result of any proposed revisions to the ENS Incentive Methodology Statement in order to ensure as far as possible that the measured performance of the licensee against this incentive is the same as if the revision to that statement had not taken place.

Part C: Amendment of $VOLL_t$

- 4.2.12 The Authority may direct that the term $VOLL_t$ be changed once during the Price Control Period in order to ensure as far as possible that it best reflects customers' valuation of reliable electricity supply.
- 4.2.13 If an amendment is made to the term $VOLL_t$, it will take effect at any such time as notified by the Authority,
- 4.2.14 Any such direction will not amend the term $VOLL_t$ for any previous Regulatory Years.

Part D: Notification and treatment of ENS Exceptional Events

- 4.2.15 Where the licensee considers that an ENS Exceptional Event has wholly or partly caused energy not to be supplied to a customer, the licensee must:
- (a) notify the Authority of that event as soon as reasonably practicable, but at the latest before the end of the period of 14 days beginning with the date of the ENS Exceptional Event;
 - (b) except where the Authority otherwise consents, during the period of 30 days beginning with the date of notification under sub-paragraph (a), provide to the Authority:
 - i. details of the volume of energy not supplied that it considers resulted from the ENS Exceptional Event; and
 - ii. any evidence available which demonstrates that the ENS Exceptional Event was not attributable to any error on the licensee's part; and
 - iii. any evidence available that the licensee took reasonable preventative and mitigating actions before and after the event, to limit the effect of the ENS Exceptional Event and to restore supplies quickly and efficiently.
- 4.2.16 Where an ENS Exceptional Event occurs, the Authority will consider directing an adjustment to the value of the $ENSA_t$ term.

Part E: Licensee's obligations in respect of Incentivised Loss of Supply Events

- 4.2.17 The licensee must use its reasonable endeavours to:
- (a) prevent Incentivised Loss of Supply Events;
 - (b) mitigate the impact after any such Incentivised Loss of Supply Event to limit its effect; and
 - (c) restore supplies quickly and efficiently after such an Incentivised Loss of Supply Event, having due regard to safety and other relevant legal obligations.

Part F: Process for issuing directions

- 4.2.18 Before issuing a direction under paragraphs 4.2.11 or 4.2.16, the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the reasons why it proposes to issue the direction; and
 - (c) a period during which representations may be made on the proposed direction, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

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

Introduction

- 4.3.1 The purpose of this condition is to calculate the term IIGI_t (the Insulation And Interruption Gas emissions output delivery incentive term). This contributes to the calculation of the term ODI_t (the output delivery incentives term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 4.3.2 The effect of this incentive is to reward or penalise the licensee to reflect its performance in relation to Insulation And Interruption Gas emissions from assets forming part of the licensee's Transmission System as compared against the target Insulation and Interruptions Gas emissions.
- 4.3.3 This condition also places obligations on the licensee:
- (a) to maintain and use its best endeavours to comply with the IIG Methodology Statement; and
 - (b) in relation to the notification and treatment of IIG Exceptional Events and IIG Emissions Data Discrepancies.

Part A: Formula for calculating the Insulation And Interruption Gas emissions output delivery incentive term (IIGI_t)

- 4.3.4 The value of IIGI_t is derived in accordance with the following formula:

$$IIGI_t = (CTE_t - ALE_t) \cdot NTPC_t \cdot TIMR_t$$

where:

- CTE_t means the target Insulation And Interruption Gas emissions in tonnes CO₂e from assets forming part of the licensee's Transmission System, which is set out in Appendix 1;
- ALE_t means the actual Insulation And Interruption Gas emissions in tonnes of CO₂e from assets forming part of the licensee's Transmission System as calculated by the licensee in accordance with this condition;
- NTPC_t means the relevant central non-traded price per tonne of CO₂e as set out in the latest Green Book Supplementary Guidance; and
- TIMR_t means the Totex Incentive Mechanism Rate.

4.3.5 The target Insulation And Interruption Gas emissions, as set out in Appendix 1, may be updated by the Authority in response to any changes made during the Price Control Period to the relevant global warming potential values as set out in the latest assessment report of the United Nations Intergovernmental Panel on Climate Change as published on the Greenhouse Gas Protocol Website.

4.3.6 Before directing an adjustment target Insulation And Interruption Gas emissions, under paragraph 4.3.5 the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will be up to 28 days.

Part B: IIG Methodology Statement

4.3.7 The licensee must have in place an IIG Methodology Statement approved by the Authority.

4.3.8 The IIG Methodology Statement must:

- (a) be consistent with industry best practice for measuring actual and estimating expected leakage of Insulation And Interruption Gases from the assets forming part of the licensee's Transmission System;
- (b) in respect of each Insulation And Interruption Gas, set out how the licensee's actual and expected emissions are adjusted to tonnes of CO₂e by:
 - i. using the relevant global warming potential values set out in the latest assessment report of the United Nations Intergovernmental Panel on Climate Change as published on the Greenhouse Gas Protocol Website;
 - ii. where the information in i. above is not available, using the relevant Global Warming Potential values set out in Annex IV (Method of Calculating the Total GWP of a Mixture) to Regulation (EU) No 517/2014 of the European Parliament and of the Council of 16 April

2014 on fluorinated greenhouse gases and repealing Regulation (EC) No 842/2006; or

- iii. where the information in i. or ii. above is not available, using the relevant global warming potential values from an alternative appropriate source, and explaining the process undertaken to verify that source; and

(c) set out the methodology by which the licensee will determine the leakage of Insulation And Interruption Gases from the assets forming part of its Transmission System for the purposes of calculating the ALEt term.

4.3.9 The licensee must use its best endeavours to apply the methodology in the IIG Methodology Statement.

4.3.10 The licensee must from time to time and in any event not less than once in every period of two Regulatory Years, review and propose such revisions to the IIG Methodology Statement as may be necessary in order to ensure that it continues to comply with paragraph 4.3.8.

4.3.11 Before revising the IIG Methodology Statement, the licensee must submit a copy of the proposed revisions to the Authority.

4.3.12 The Authority will:

- (a) approve the proposed revisions;
- (b) reject the proposed revisions; or
- (c) reject the proposed revisions and give recommendations as to alternative revisions which it considers should be made.

Part C: Notification and treatment of IIG Exceptional Events

4.3.13 Where the licensee considers that an IIG Exceptional Event has wholly or partly caused leakage of an Insulation And Interruption Gas, it must:

- (a) notify the Authority of that event as soon as reasonably practicable but at the latest before the end of the period of 14 days beginning with the date of the IIG Exceptional Event;
- (b) except where the Authority otherwise consents, during the period of 30 days beginning with the notification under sub-paragraph (a), provide to the Authority:
 - i. details of the volume of leakage of Insulation And Interruption Gas that it considers resulted from the IIG Exceptional Event;
 - ii. any evidence available which demonstrates that the event was not attributable to any error on the licensee's part; and
 - iii. any evidence available that the licensee took reasonable preventative and mitigating actions before and after the event to limit its effect.

4.3.14 Notification of an IIG Exceptional Event under paragraph 4.3.13 will not be considered by the Authority when the volume of leakage of Insulation And Interruption Gas is lower than 15kg.

- 4.3.15 Where an IIG Exceptional Event occurs and the volume of leakage is above 15kg, the Authority will consider directing an adjustment to the ALEt term.
- 4.3.16 Before directing an adjustment to the ALEt term under paragraph 4.3.15, the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction; and
 - (c) a period during which representations may be made on the proposed direction, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

Part D: Notification and treatment of IIG Emissions Data Discrepancy

- 4.3.17 Where the licensee considers that an IIG Emissions Data Discrepancy has wholly or partly caused the reporting of leakage of an Insulation And Interruption Gas in error, it must:
- (a) before the end of the period of 14 days following the completion of the Regulatory Year, provide to the Authority:
 - i. details of the volume of leakage of Insulation And Interruption Gas that it considers resulted from incorrect OEM nameplate labelling of SF6 asset inventory;
 - ii. any evidence available which demonstrates the reported leakage results from mislabelling of IIG asset inventory by the OEM and not actual IIG emissions; and
 - iii. any evidence available that the licensee took reasonable preventative and mitigating actions to limit the effect of any data discrepancy.
- 4.3.18 Notification of an IIG Emissions Data Discrepancy under paragraph 4.3.17 will not be considered by the Authority when the effected volume of reported leakage of Insulation And Interruption Gas is lower than 15kg.
- 4.3.19 Where an IIG Emissions Data Discrepancy occurs and the volume of leakage is above 15kg, the Authority will consider directing an adjustment to the ALEt term.
- 4.3.20 Before directing an adjustment to the ALEt term under paragraph 4.3.19, the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction; and
 - (c) a period during which representations may be made on the proposed direction, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

Appendix 1

Target Insulation And Interruption Gas emissions (tCO₂e)

Annual emissions targets (CTE _t)	2026/27	2027/28	2028/29	2029/30	2030/31
NGET	189,739	176,186	162,633	149,081	135,528

Special Condition 4.4 Connections output delivery incentive (CON_t)

Introduction

- 4.4.1 The purpose of this condition is to calculate the term CON_t (the connections output delivery incentive term). This contributes to the calculation of the term ODI_t (the output delivery incentives term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 4.4.2 The effect will be to reward the licensee for the completion of its Stage One Commissioning on or before their Connections Incentive Target Date and penalise the licensee for a failure to complete its Stage One Commissioning before or within a period of 30 calendar days after the Connections Incentive Target Date.

Part A: Formula for calculating the connections output delivery incentive term (CON_t)

- 4.4.3 The value of CON_t is derived in accordance with the following formula:

$$CON_t = [CIV_t \times COT_t] - \left[\frac{CIV_t}{2} \times COL_t \right]$$

where:

- CIV_t means the unit value of the incentive, based on the number of Connection Projects with a Connection Project Completion Date within the Price Control Period, and therefore scheduled to complete Stage One Commissioning on or before 31 March 2031, as specified in Appendix 1. The sum of which across the Price Control Period will be equal to the sum of an average of 0.4% of Return on Regulated Equity (RoRE) in each Regulatory Year
- COT_t means the number of Connections Projects in Appendix 1 in respect of which the licensee has completed Stage One Commissioning, on or before the Connections Incentive Target Date.
- COL_t means the number of Connection Projects in Appendix 1 in respect of which the licensee has not completed Stage One Commissioning before or within a period of 30 calendar days after the Connections Incentive Target Date, but excluding Connection

Projects in respect of which an exemption has been approved by the Authority under Part D.

Part B: The Connection Project Register

- 4.4.4 The licensee shall create and maintain a Connection Project Register.
- 4.4.5 The licensee shall submit the Connection Project Register to the Authority by 1 October 2026. The licensee shall submit an updated Connections Project Register in conjunction with the submission of the Regulatory Reporting Pack of each subsequent Regulatory Year.
- 4.4.6 The Authority shall review the Connections Project Register and determine the Connections Incentive Target Date for each Connection Project.
- 4.4.7 The Authority shall modify Appendix 1 of this licence condition to provide a list of the Connection Projects and Connections Incentive Target Dates to which this incentive shall apply.
- 4.4.8 Where the Authority modifies the list of Connections Projects in Appendix 1 in accordance with this Part B, the Authority shall also modify the value of CIV_t in Appendix 2 as required to reflect the updated number of Connection Projects.
- 4.4.9 A modification under this Part will be made under section 11A of the Act.

Part C: Changes to Connections Incentive Target Date

- 4.4.10 The Authority may direct a change to the Connections Incentive Target Date in Appendix 1 for a Connection Project for the purposes of calculating the formula in Part A if the licensee receives notification from the ISOP that the connections customer has formally requested a delay to its Connection Project Completion Date through the ISOP's Modification Application process, that request is agreed to and the licensee and ISOP agree to an amended Connection Project Completion Date which is on or before 31 March 2031.
- 4.4.11 Where the amended Connection Project Completion Date is after 31 March 2031, the Connection Project will be removed from Appendix 1, excluded from unit value calculations in Appendix 2, and not contribute to either COL_t or COT_t .

Part D: Exemption from a penalty

- 4.4.12 Where the licensee has not completed its Stage One Commissioning in respect of a Connection Project before or within a period of 30 calendar days after the Connections Incentive Target Date, and if caused by any of the circumstances in paragraph 4.4.13, the licensee may submit an application to the Authority for a direction that the relevant Connection Project is excluded from COL_t , the result of which being that a penalty is not applied to that Connection Project if any of the circumstances in paragraph 4.4.13 apply.
- 4.4.13 The circumstances are:

- (a) that the customer has failed to meet two consecutive User Progression Milestones as set by the ISOP; or
 - (b) that the customer has failed to meet the last User Progression Milestone before the licensee's completion of Stage One Commissioning; or
 - (c) that up to three bodies responsible for giving consent for the carrying out of works required to enable the licensee to make connections to the National Electricity Transmission System have caused severe delays to the timescales within which planning permission is being granted compared to delays typically experienced in respect of 16% of the licensee's Connection Projects with Connections Incentive Target Date Between 1 April 2026 and 31 March 2031, where the licensee can evidence its efforts to conduct all of its planning responsibilities in a timely manner.
- 4.4.14 Any such application must be submitted to the Authority as part of the annual submission of the licensee's Connection Project Register, the timing of which is outlined in paragraph 4.4.5. The application must be made at the next submission opportunity after the licensee considers that circumstance outlined in 4.4.13 has been met, using evidence from previous Regulatory Years where necessary.
- 4.4.15 The licensee must provide the Authority with reasonably available evidence to demonstrate that any of the circumstances specified in paragraph 4.4.13 are met. The Authority retains the right to request additional evidence.
- 4.4.16 If the Authority considers that the circumstances in paragraph 4.4.13 are met, the Authority may direct that the relevant Connection Project is excluded from COL_t.

Appendix 1

Connections Incentive Target Date Register

Project ID	Connections Incentive Target Date (dd/mm/yyyy)
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Appendix 2

Unit value of the incentive (CIV_t)

	2026/27	2027/28	2028/29	2029/30	2029/31
CIV _t	£	£	£	£	£

Special Condition 4.5 Innovative Delivery output delivery incentive (IDI_t)

Introduction

- 4.5.1 The purpose of this condition is to calculate the term IDI_t (the Innovative Delivery output delivery incentive term). This contributes to the calculation of the term ODI_t (the output delivery incentives term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 4.5.2 The effect of this condition is to reward the licensee's performance relating to Innovative Delivery.
- 4.5.3 This condition establishes the Innovative Delivery Incentive Guidance Document.
- 4.5.4 This condition also places obligations on the licensee:
- (a) to submit and publish an Innovative Delivery Incentive Performance Panel Submission; and
 - (b) to comply with the Innovative Delivery Incentive Governance Document.

Part A: Formula for calculating the Innovative Delivery output delivery incentive term (IDI_t)

- 4.5.5 The value of the term IDI_t is derived in accordance with the following formula:

$$IDI_t = \max(0, \min(IDIPAS_t, IDIMAX_t))$$

where:

- IDIPAS_t* means the value of the licensee's Innovative Delivery output delivery incentive performance reward as directed by the Authority in accordance with Part D of this condition and the Innovative Delivery Incentive Guidance Document; and
- IDIMAX_t* means the maximum reward in respect of IDI_t for the licensee, as specified in Appendix 1.

Part B: Requirement to prepare and publish an Innovative Delivery Incentive Performance Panel Submission

- 4.5.6 An Innovative Delivery Incentive Performance Panel Submission is required where the licensee seeks a reward in terms of this special condition. If the licensee seeks a reward, the licensee must submit an Innovative Delivery Incentive Performance Panel Submission to the Authority on both:
- (a) the last Working Day of September 2027; and
 - (b) the last Working Day of September 2029.
- 4.5.7 The licensee's Innovative Delivery Incentive Performance Panel Submission must be submitted in accordance with the requirements in the Innovative Delivery Incentive Guidance Document.

- 4.5.8 The licensee must publish its Innovative Delivery Incentive Panel Submission on the licensee's website within five Working Days of the date on which the licensee submits its Innovative Delivery Incentive Performance Panel Submission.

Part C: The Innovative Delivery Incentive Guidance Document

- 4.5.9 The licensee must comply with the Innovative Delivery Incentive Guidance Document in relation to the Innovative Delivery output delivery incentive.
- 4.5.10 The Innovative Delivery Incentive Guidance Document will include or make provision for the following:
- (a) the information and evidence that the licensee must provide in its Innovative Delivery Incentive Performance Panel Submission;
 - (b) the criteria against which the performance of the licensee will be assessed;
 - (c) the information that will be used for the performance assessment, including how reporting will be used in that evaluation;
 - (d) the process and procedures that will be in place for assessing the performance of the licensee;
 - (e) any requirements the licensee must fulfil as part of the assessment process;
 - (f) the process for the appointment by the Authority of persons who will make up the Innovative Delivery Incentive Performance Panel;
 - (g) the role and requirements of the Innovative Delivery Incentive Performance Panel in assessing a licensee's performance and making its recommendation to the Authority;
 - (h) the methodology the Authority will use to determine the value of DIPAS_t for the purposes of a direction under Part D; and
 - (i) any other matters relating to the regulation, governance or administration of the Innovative Delivery output delivery incentive.
- 4.5.11 Before issuing the Innovative Delivery Incentive Guidance Document, the Authority will publish on the Authority's Website:
- (a) the text of the proposed Innovative Delivery Incentive Guidance Document;
 - (b) the date on which the Authority intends the Innovative Delivery Incentive Guidance Document to come into effect;
 - (c) a period during which representations may be made on the content of the proposed Innovative Delivery Incentive Guidance Document, which will be up to 28 days unless the Authority determines that a longer period is appropriate.
- 4.5.12 Before directing an amendment to the Innovative Delivery Incentive Guidance Document, the Authority will publish on the Authority's Website:
- (a) the text of the amended Innovative Delivery Incentive Guidance Document;
 - (b) the date on which the Authority intends the amended Innovative Delivery Incentive Guidance Document to come into effect;

- (c) the reasons for the amendments to the Innovative Delivery Incentive Guidance Document; and
- (d) a period during which representations may be made on the amendments to the Innovative Delivery Incentive Guidance Document, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

Part D: Process for updating IDIPAS_t

- 4.5.13 Before directing an adjustment to the IDIPAS_t term, the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction; and
 - (c) a period during which representations may be made on the proposed direction, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

Appendix 1

Maximum reward for the Innovative Delivery output delivery incentive term (IDIMAX_t) (£m)

Licensee	2026/27	2027/28	2028/29	2029/30	2030/31
NGET	0	33.37	0	100.12	0

Appendix 2

Reward for the Innovative Delivery output delivery incentive term (IDIPAS_t) (£m)

Licensee	2026/27	2027/28	2028/29	2029/30	2030/31
NGET	-	-	-	-	-

Special Condition 4.6 SO-TO optimisation output delivery incentive (SOTO_t)

Introduction

- 4.6.1 The purpose of this condition is to calculate the term SOTO_t (the SO-TO optimisation output delivery incentive term). This contributes to the calculation of the term ODI_t (the output delivery incentives term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 4.6.2 The effect of this incentive is to:
- (a) define what services under the STCP11.4 Enhanced Services Provision qualify as Enhanced Services or Interventions; and
 - (b) reward the licensee's performance relating to providing Enhanced Services or Interventions.
- 4.6.3 The condition provides for:

- (a) the set of eligibility criteria that determines what enhanced services are eligible for the incentive benefit;
- (b) the process the Authority will follow when issuing or amending the SO-TO Optimisation Governance Document; and
- (c) the requirement for the licensee to comply with the SO-TO Governance Document.

Part A: Formula for calculating the SO-TO optimisation output delivery incentive term ($SOTO_t$)

- 4.6.4 The value of the term $SOTO_t$ is derived in accordance with the following formula:

$$SOTO_t = \min((SOTOSF_t \times 0.5) \times (SOTOS_t + SOTOO_t), (SOTOSF_t \times SOTOS_t))$$

where:

- $SOTOSF_t$ means the SO-TO optimisation sharing factor which has the value of 0.1;
- $SOTOS_t$ means the total constraint savings forecasted by the ISOP for the Enhanced Services or Interventions delivered by the licensee; and
- $SOTOO_t$ means the total outturn constraint savings estimated by the ISOP due to the Enhanced Services or Interventions are delivered by the licensee.

Part B: SO-TO Optimisation Governance Document

- 4.6.5 The licensee must comply with the SO-TO Optimisation Governance Document.
- 4.6.6 The Authority will issue and amend the SO-TO Optimisation Governance Document by direction.
- 4.6.7 The Authority will publish the SO-TO Optimisation Governance Document on the Authority's Website.
- 4.6.8 The SO-TO Optimisation Governance Document will make provision, about the governance and administration of the SO-TO optimisation output delivery incentive, including:
- (a) the reporting obligations in respect of the SO-TO optimisation output delivery incentive and the reporting process for the licensee; and
 - (b) the methodology by which ex-ante forecast constraint savings and outturn savings will be assessed.
- 4.6.9 Before issuing the SO-TO Optimisation Governance Document, the Authority will publish on the Authority's Website:
- (a) the text of the proposed SO-TO Optimisation Governance Document;
 - (b) the date on which the Authority intends the SO-TO Optimisation Governance Document to come into effect;

- (c) a period during which representations may be made on the content of the SO-TO Optimisation Governance Document, which will be up to 28 days unless the Authority determines that a longer period is appropriate.
- 4.6.10 Before directing an amendment to the SO-TO Optimisation Governance Document, the Authority will publish on the Authority's Website:
 - (a) the text of the amended SO-TO Optimisation Governance Document;
 - (b) the date on which the Authority intends the amended SO-TO Optimisation Governance Document to come into effect;
 - (c) the reasons for the amendments to the SO-TO Optimisation Governance Document; and
 - (d) a period during which representations may be made on the amendments to the SO-TO Optimisation Governance Document, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

Part C: SO-TO optimisation eligibility criteria

- 4.6.11 This Part specifies the criteria which apply in determining whether a SO-TO Optimisation Solution under the STCP 11.4 Enhanced Services Provision qualifies as an Enhanced Service or Intervention.
- 4.6.12 The licensee is entitled to an incentive benefit payment if, in relation to an asset, an Enhanced Service or Intervention it has met the following criteria:
 - (a) physically enhanced the asset beyond a like for like replacement or maintaining the asset;
 - (b) materially changed what the asset does beyond a like for like replacement or replacement or maintaining the asset; and
 - (c) reduced Transmission Constraint Costs.
- 4.6.13 If the Enhanced Service or Intervention does not meet the criteria set out in paragraph 4.6.12, the licensee is entitled to an incentive benefit payment in relation to an asset if as a result of an Enhanced Service or Intervention:
 - (a) the asset is put in a position where it runs at a capacity that is greater than the capacity that would otherwise have been the case under the Standard Operational Conditions of the asset; and
 - (b) the lifespan of the asset could be negatively affected.
- 4.6.14 If the Enhanced Service or Intervention does not meet the criteria set out in paragraph 4.6.12, the licensee is entitled to an incentive benefit payment in relation to an asset if the Enhanced Service or Intervention has the effect of imposing obligations on the licensee which exceed its requirements under the licence.
- 4.6.15 No incentive benefit payment is payable in relation to a SO-TO Optimisation Solution identified by the ISOP as being necessary prior to the licensee's RIIO-3 business plan submission on 11 December 2024.

Part D: Failure to fulfil requested Enhanced Services or Interventions

- 4.6.16 The Authority may reduce the value of SOTO_t to a value not less than zero, if after the Price Control Period, it determines that the licensee has failed to fulfil any Enhanced Service or Intervention requested by the ISOP.
- 4.6.17 The Authority will have regard to the following matters in determining the reduction to SOTO_t:
- (a) the value lost to the consumer as a result of the Enhanced Service or Intervention having not been provided;
 - (b) the licensee's overall performance in delivering Enhanced Services or Interventions;
 - (c) any representations from the licensee as to why the Enhanced Service or Intervention had not been fulfilled; and
 - (d) any other factors it considers relevant.

Special Condition 4.7 Accelerated strategic transmission investment output delivery incentive (ASTII_t)

Introduction

- 4.7.1 The purpose of this condition is to provide for the calculation of the term ASTII_t (the Accelerated strategic transmission investment output delivery incentive term). The ASTII_t term contributes to the licensee's Allowed Revenue.
- 4.7.2 The effect of this incentive is to reward or penalise the licensee's performance in relation to the ASTI ODI Target Date.
- 4.7.3 This condition also establishes a mechanism for the licensee to apply for a modification to the:
- (a) value of the ASTI ODI Penalty Exemption Period in Appendix 1 following an ASTI ODI-F Delay Event; and
 - (b) the ASTI ODI Target Date in Appendix 1 following a material change to the scope of an ASTI Output.

Part A: Formula for calculating the accelerated strategic transmission investment output delivery incentive term (ASTII_t)

- 4.7.4 The value of the term ASTII_t is derived in accordance with the following formula:

$$ASTII_t = \sum_{n=1}^n AnnualODIP_{n,t} + \sum_{n=1}^n AnnualODIR_{n,t}$$
$$AnnualODIP_{n,t} =$$
$$-F_n \cdot \min \left[\max[Start\ Day\ of\ year\ (t + 1) - CalcD, 0], \text{days in year } t, -\min \left[\frac{CappedODI_n - \sum_{2021/22}^{t-1} AnnualODIP_{n,t}}{F_n}, 0 \right] \right]$$

$$AnnualODIR_{n,t} =$$

$$F_n \cdot \min \left[\max[\text{Start Day of year } (t + 1) - \text{Delivery Date}_n, 0], \text{days in year } t, \max \left[\frac{\text{CappedODI}_n - \sum_{2021/22}^{t-1} AnnualODIR_{n,t}}{F_n}, 0 \right] \right]$$

where

$$\text{CappedODI}_n = \max[\min(\text{UncappedODI}_n, \text{Cap}_n), -\text{Cap}_n];$$

and

$$\text{UncappedODI}_n = \begin{cases} -F_n \cdot (D_n - PE_n), & \text{if } D_n \geq 0 \\ -F_n \cdot D_n, & \text{if } D_n < 0 \end{cases}$$

where:

D_n	equals (Delivery Date _n – ASTI ODI Target Date);
Delivery Date_n	means the date on which Project n is delivered, or is expected to be delivered;
PE_n	means the ASTI ODI Penalty Exemption Period in days for Project n as set out in Appendix 1;
CalcD	means the ASTI ODI Target Date plus ASTI ODI Penalty Exemption Period in days;
F_n	is the Daily Reward/Penalty for Project n set out in Appendix 1 of this condition;
Cap_n	is the ODI Cap for Project n set out in Appendix 1 of this condition;
T	represents the Regulatory Year; and
n	represents each ASTI project

Part B: Applications for modifications to Appendix 1

- 4.7.5 The licensee may apply under this Part for a modification to the ASTI ODI Penalty Exemption Periods and the ASTI ODI Target Dates in Appendix 1.
- 4.7.6 The licensee may apply under this Part to modify the ASTI ODI Target Dates in Appendix 1 where there is a material change to the scope of the relevant ASTI project.
- 4.7.7 The licensee may apply to the Authority for a modification to the ASTI ODI Penalty Exemption Period in Appendix 1 where there has been an ASTI ODI-F Delay Event. The licensee must notify the Authority in writing of its intention to make an application under paragraph 4.7.8 within 45 days of the later of:

- (a) the event that is the subject of that application commencing; or
 - (b) the licensee becoming aware of the event having commenced.
- 4.7.8 The licensee may apply to the Authority:
- (a) within 45 days of cessation of the event that is the subject of the application; or
 - (b) by any other date directed by the Authority, which shall be no earlier than the relevant date under paragraph 4.7.8(a).
- 4.7.9 An application under paragraph 4.7.8 must be made in writing and include:
- (a) a description of the event that is the subject of the application along with evidence that demonstrates that the event is an ASTI ODI-F Delay Event;
 - (b) the requested modification to the ASTI ODI Penalty Exemption Period value along with supporting analysis and evidence; and
 - (c) any evidence available that the licensee took reasonable steps before and after the event to prevent, mitigate and limit the event's effect.
- 4.7.10 The licensee must comply with the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document when notifying the Authority or making an application under this Part.
- 4.7.11 A modification under this Part will be made under section 11A of the Act.

Appendix 1

ASTI ODI Target Dates, Daily reward/penalty and ASTI ODI Penalty Exemption Period

Project	ASTI ODI Target Date	Daily Reward/ Penalty (£)	Aggregate ODI Cap (£)	ASTI ODI Penalty Exemption Period
New 400 kV double circuit in north East Anglia (NOA Code: AENC)	31 December 2031	Have the values given in the ASTI Confidential Annex.	Have the values given in the ASTI Confidential Annex.	Zero Days
New 400 kV double circuit in south East Anglia (NOA Code: ATNC)	31 December 2031	Have the values given in the ASTI Confidential Annex.	Have the values given in the ASTI Confidential Annex.	Zero Days
New 400 kV double circuit between Bramford and Twinstead (NOA Code: BTNO)	31 December 2029	Have the values given in the ASTI Confidential Annex.	Have the values given in the ASTI Confidential Annex.	Zero Days

New 400 kV double circuit between Creyke Beck and the south Humber (NOA Code: CGNC)	31 December 2031	Have the values given in the ASTI Confidential Annex.	Have the values given in the ASTI Confidential Annex.	Zero Days
Eastern subsea HVDC link from Torness to Hawthorn Pit (NOA Code: E2DC)	31 December 2028	Have the values given in the ASTI Confidential Annex.	Have the values given in the ASTI Confidential Annex.	Zero Days
Eastern Scotland to England link: Peterhead to Drax offshore HVDC (NOA Code: E4D3)	31 December 2030	Have the values given in the ASTI Confidential Annex.	Have the values given in the ASTI Confidential Annex.	Zero Days
Eastern Scotland to England 3rd link: Peterhead to West Norfolk offshore HVDC (EGL3) (NOA Code: E4L5)	31 August 2034	Have the values given in the ASTI Confidential Annex.	Have the values given in the ASTI Confidential Annex.	Zero Days
400 kV upgrade of Brinsworth to Chesterfield double circuit and Chesterfield to High Marnham double circuit. New High Marnham and Chesterfield 400 kV substations (NOA Code: EDEU)	31 December 2029	Have the values given in the ASTI Confidential Annex.	Have the values given in the ASTI Confidential Annex.	Zero Days
New Chesterfield to Ratcliffe-on-Soar 400 kV double circuit (NOA Code: EDN2)	31 December 2031	Have the values given in the ASTI Confidential Annex.	Have the values given in the ASTI Confidential Annex.	Zero Days
New 400kV double circuit between South Humber and West Norfolk (NOA Code: GWNC)	31 December 2033	Have the values given in the ASTI Confidential Annex.	Have the values given in the ASTI Confidential Annex.	Zero Days
Uprate Hackney, Tottenham and Waltham Cross 275 kV to 400 kV (NOA Code: HWUP)	31 December 2028	Have the values given in the ASTI Confidential Annex.	Have the values given in the ASTI Confidential Annex.	Zero Days
New 400 kV double circuit between the existing Norton to Osbaldwick circuit and	31 December 2028	Have the values given in the ASTI	Have the values given in the ASTI Confidential Annex.	Zero Days

Poppleton and relevant 275 kV upgrades (NOA Code: OPN2)		Confidential Annex.		
Pentir to Trawsfynydd cable replacement (NOA Code: PTC1)	31 December 2029	Have the values given in the ASTI Confidential Annex.	Have the values given in the ASTI Confidential Annex.	Zero Days
North Wales reinforcement (NOA Code: PTNO)	31 December 2030	Have the values given in the ASTI Confidential Annex.	Have the values given in the ASTI Confidential Annex.	Zero Days
New Offshore HVDC link between Suffolk and Kent option 1 (NOA Code: SCD1)	31 December 2031	Have the values given in the ASTI Confidential Annex.	Have the values given in the ASTI Confidential Annex.	Zero Days
Eastern subsea HVDC link from East Scotland to West Norfolk (EGL4)(NOA Code: TGDC)	31 August 2034	Have the values given in the ASTI Confidential Annex.	Have the values given in the ASTI Confidential Annex.	Zero Days
Tilbury to Grain and Tilbury to Kingsnorth upgrade (NOA Code: TKRE)	31 December 2029	Have the values given in the ASTI Confidential Annex.	Have the values given in the ASTI Confidential Annex.	Zero Days

Special Condition 4.8 Major Projects output delivery incentive (MPI_t)

Introduction

- 4.8.1 The purpose of this condition is to provide for the calculation of MPI_t (the Major Projects output delivery incentive term). The MPI_t term contributes to the calculation of the licensee's Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 4.8.2 The effect of this incentive is to reward or penalise the licensee's performance in relation to the Major Projects ODI-F Target Delivery Date.
- 4.8.3 This condition:
- (a) establishes the process by which the Authority will set a Major Projects ODI-F Target Delivery Date and incentive values for projects which are specified as CSNP Re-opener Outputs under Special Condition 3.19 (CSNP Re-opener) (Part B);
 - (b) establishes the process by which the Authority will set a Major Projects ODI-F Target Delivery Date and incentive values for projects that are not CSNP Re-opener Outputs (Part C);

- (c) provides for a mechanism for the licensee to apply for a modification to:
- the Major Projects ODI-F Penalty Exemption Period in Appendix 1 or Appendix 2 following a Major Projects ODI-F Delay Event; and
 - the Major Projects ODI-F Target Delivery Date in Appendix 1 or Appendix 2 following a Major Project Fundamental Scope Change (Part D); and
 - the Major Projects ODI-F Governance Document (Part E).

Part A: Formulae for calculating the Major Projects output delivery incentive term (MPI_t)

4.8.4 The value of the term MPI_t is derived in accordance with the following formula:

$$MPI_{i,t} = AnnualIncentive_{i,t} + \sum_{i=1}^i LumpSum_{i,t}$$

where

$$AnnualIncentive_t = \sum_{i=1}^i AnnualPenalty_{i,t} + \sum_{i=1}^i AnnualReward_{i,t}$$

and

$$AnnualPenalty_{i,t} = -P_i \times \min \left[\max[Start\ Day\ of\ year\ (t + 1) - CalcDD_i, 0], \text{days in year } t, \right. \\ \left. - \min \left[\frac{CappedODI_i - \sum_{2026/27}^{t-1} AnnualIncentive_{i,t}}{P_i}, 0 \right] \right]$$

and

$$AnnualReward_{i,t} = \begin{cases} R_i \times \min \left[\max[Start\ Day\ of\ year\ (t + 1) - DD_i, 0], \text{days in year } t, \max \left[\frac{CappedODI_i - \sum_{2026/27}^{t-1} AnnualIncentive_{i,t}}{R_i}, 0 \right] \right] & \text{if } R_i > 0 ; \\ 0 & \text{otherwise} \end{cases}$$

and

$$LumpSum_{i,t} = \begin{cases} PotentialLS_i & \text{if } DD_i \leq TDD_i \text{ and if } DD_i \text{ falls in year } t; \\ 0 & \text{otherwise} \end{cases}$$

and

$$CappedODI_i = \max[\min(UncappedODI_i, CapR_i - PotentialLS_i), -CapP_i];$$

and

$$UncappedODI_i = \begin{cases} (-P_i \times (D_i - PE_i)), & \text{if } DD_i > TDD_i; \\ (-R_i \times D_i), & \text{if } DD_i \leq TDD_i. \end{cases}$$

where:

CalcDD _i	means the Major Projects ODI-F Target Delivery Date (TDD _i) plus Major Projects ODI-F Penalty Exemption Period (PE _i) in days;
CapP _i	is the cap on the overall penalty for project i as set out in Appendix 1 or Appendix 2 of this condition (as a positive number);
CapR _i	is the cap on the overall reward for project i, including any potential lump sum, as set out in Appendix 1 or Appendix 2 of this condition;
DD _i	means the Major Projects ODI-F Delivered Date for project i;
D _i	equals (DD _i – TDD _i);
i	represents a Major Project, as listed in Appendix 1 and Appendix 2;
PE _i	means the Major Projects ODI-F Penalty Exemption Period in days for project i as set out in Appendix 1 or Appendix 2;
P _i	is the daily penalty for project i as set out in Appendix 1 or Appendix 2 of this condition (as a positive number);
PotentialLS _i	represents the potential lump sum reward available for project i as set out in Appendix 1 or Appendix 2;
R _i	is the daily reward for project i as set out in Appendix 1 or Appendix 2; and
TDD _i	represents the Major Projects ODI-F Target Delivery Date for project i as set out in Appendix 1 or Appendix 2.

Part B: Setting incentive parameters for CSNP Re-opener Outputs

- 4.8.5 Where a CSNP Re-opener Output has been designated under Special Condition 3.19 (CSNP Re-opener and Price Control Deliverable (CSNPR_t)) Part C, the Authority will make a modification to Appendix 1 to:
- (a) designate the CSNP Re-opener Output as a Major Project; and
 - (b) introduce values for the parameters named in Appendix 1 for each CSNP Re-opener Output.
- 4.8.6 When making a modification under this Part, the Authority will follow the processes and guidelines set out in the Major Projects ODI-F Governance Document.
- 4.8.7 Any modification under this Part will be made under section 11A of the Act.

Part C: Setting incentive parameters for outputs that are not CSNP Re-opener Outputs

- 4.8.8 Where the Authority considers that there would be consumer benefit in applying the Major Projects ODI-F to projects that are not CSNP Re-opener Outputs, in particular considering load-related projects of strategic importance or for which timely delivery is important, the Authority may make a modification to Appendix 2 to:

- (a) designate the project as a Major Project; and
 - (b) introduce values for the parameters named in Appendix 2 for each Major Project.
- 4.8.9 When making a modification under this Part, the Authority will follow the processes and guidelines set out in the Major Projects ODI-F Governance Document.
- 4.8.10 Any modification under this Part will be made under section 11A of the Act.

Part D: Major Project ODI-F modifications

- 4.8.11 The licensee may apply under this Part for a modification to the Major Projects ODI-F Penalty Exemption Period in Appendix 1 or Appendix 2 where there has been a Major Projects ODI-F Delay Event in relation to the relevant project.
- 4.8.12 The licensee may apply under this Part to modify the Major Projects ODI-F Target Delivery Date specified in Appendix 1 or Appendix 2 where there has been a Major Project Fundamental Scope Change.
- 4.8.13 The licensee must notify the Authority in writing of its intention to make an application under paragraph 4.8.11 no more than 45 days after the later of:
 - (a) the date on which the Major Projects ODI-F Delay Event that is the subject of that application commencing; or
 - (b) the licensee becoming aware of the Major Projects ODI-F Delay Event having commenced.
- 4.8.14 The licensee may apply to the Authority for a modification under paragraph 4.8.11 by:
 - (a) no later than 45 days after the cessation of the Major Projects ODI-F Delay Event that is the subject of the application; or
 - (b) any other date directed by the Authority, which shall not be earlier than the date specified by 4.8.15(a).
- 4.8.15 Any application under this Part must be made in writing and include:
 - (a) a description of the event that is the subject of the application along with evidence that demonstrates that the event is a Major Projects ODI-F Delay Event or Major Project Fundamental Scope Change, in line with the guidance as set out in the Major Projects ODI-F Governance Document;
 - (b) the requested modification to the Major Projects ODI-F Penalty Exemption Period or Major Projects ODI-F Target Delivery Date value along with supporting analysis and evidence; and
 - (c) for an application under paragraph 4.8.11, all evidence available that the licensee used best endeavours to prevent the occurrence of, and to mitigate the impact of, the Major Projects ODI-F Delay Event.
- 4.8.16 A modification under this Part will be made under section 11A of the Act.

Part E: Major Projects ODI-F Governance Document

- 4.8.17 The Major Projects ODI-F Governance Document will make provision for the processes and guidelines the Authority will follow for Part B and Part C.
- 4.8.18 The Major Projects ODI-F Governance Document will make provision for the requirements which the licensee must comply with when making an application under Part D.
- 4.8.19 The Authority will publish the Major Projects ODI-F Governance Document on the Authority's Website.
- 4.8.20 The Authority will issue the Major Projects ODI-F Governance Document by direction. Before directing that the Major Projects ODI-F Governance Document comes into effect, the Authority will publish on the Authority's Website:
- (a) the text of the proposed Major Projects ODI-F Governance Document;
 - (b) the date on which the Authority intends the Major Projects ODI-F Governance Document to come into effect; and
 - (c) a period during which representations may be made on the text of the proposed Major Projects ODI-F Governance Document, which will be up to 28 days unless the Authority determines that a longer period is appropriate.
- 4.8.21 The Authority will amend the Major Projects ODI-F Governance Document by direction. Before amending the Major Projects ODI-F Governance Document by direction, the Authority will publish on the Authority's Website:
- (a) the text of the amended Major Projects ODI-F Governance Document;
 - (b) the date on which the Authority intends the amended Major Projects ODI-F Governance Document to come into effect;
 - (c) the reasons for the amendments to the Major Projects ODI-F Governance Document; and
 - (d) a period during which representations may be made on the amendments to the Major Projects ODI-F Governance Document, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

Appendix 1

Major Projects ODI-F values for projects added through Part B

Major Project	Major Projects ODI-F Target Delivery Date	Penalty exemption period	Potential daily reward	Potential lump sum	Overall maximum reward	Potential daily penalty	Overall maximum penalty

Appendix 2

Major Projects ODI-F values for projects added through Part C

Major Project	Major Projects ODI-F Target Delivery Date	Penalty exemption period	Potential daily reward	Potential lump sum	Overall maximum reward	Potential daily penalty	Overall maximum penalty

Chapter 5: Other Revenue Allowances

Special Condition 5.1 Total other revenue allowances (ORA_t)

Introduction

- 5.1.1 The purpose of this condition is to calculate the term ORA_t (the other revenue allowances term). This contributes to the calculation of Calculated Revenue in Special Condition 2.1 (Revenue restriction).

Part A: Formula for calculating other revenue allowances term (ORA_t)

- 5.1.2 The value of ORA_t is derived in accordance with the following formula:

$$ORA_t = NIA_t + CNIA_t + LEIP_t + CCO_t$$

where:

- NIA_t is derived in accordance with Special Condition 5.2 (RIIO-3 Network Innovation Allowance);
- $CNIA_t$ is derived in accordance with Special Condition 5.3 (Carry-over Network Innovation Allowance);
- $LEIP_t$ is derived in accordance with Special Condition 5.4 (Landscape Enhancement Initiative Projects allowance); and
- CCO_t is derived in accordance with Special Condition 5.5 (Carbon Compensation use it or lose it allowance).

Special Condition 5.2 RIIO-3 Network Innovation Allowance (NIA_t)

Introduction

- 5.2.1 The purpose of this condition is to calculate the term NIA_t (the Network Innovation Allowance term). This contributes to the calculation of the term ORA_t (the other revenue allowances term), which in turn feeds into the calculation of Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 5.2.2 The effect of this condition is to fund investment in innovation by means of the NIA.
- 5.2.3 This condition also establishes a framework for the governance and administration of the NIA.

Part A: Formula for calculating the Network Innovation Allowance term (NIA_t)

- 5.2.4 Subject to paragraph 5.2.5, the value of the NIA_t term is derived in accordance with the following formula:

$$NIA_t = 90\% \times NIAE_t$$

where:

$NIAE_t$ means the Total NIA Expenditure.

- 5.2.5 The total value of the NIA over the RIIO-3 Price Control Period is subject to the following cap:

$$\sum_{t=2026/27}^{2030/31} (NIA_t) \leq (TNIA)$$

where:

NIA_t is derived in accordance with paragraph 5.2.4; and

$TNIA$ means the value of the licensee's Network Innovation Allowance as set out in Appendix 1 of this condition.

- 5.2.6 The licensee must not spend more than 25% of Total NIA Expenditure on internal resources over the Price Control Period.

Part B: The RIIO-3 NIA Governance Document

- 5.2.7 The licensee must comply with the RIIO-3 NIA Governance Document.
- 5.2.8 The Authority will issue and amend the RIIO-3 NIA Governance Document by direction.
- 5.2.9 The Authority will publish the RIIO-3 NIA Governance Document on the Authority's Website.
- 5.2.10 The RIIO-3 NIA Governance Document will make provision about the governance and administration of the NIA, including:
- (a) the definition of "unrecoverable NIA expenditure";
 - (b) the eligibility criteria, which RIIO-3 NIA Projects must meet;
 - (c) the information that is to be published by the licensee before RIIO-3 NIA Projects can begin;
 - (d) the circumstances in which the licensee will require approval from the Authority before beginning a RIIO-3 NIA Project, and the processes and procedures for that approval;
 - (e) arrangements for ensuring that learning from RIIO-3 NIA Projects is captured and disseminated by the licensee to other Transmission Licensees holders of a Distribution Licence, and the ISOP;
 - (f) the reporting obligations in respect of RIIO-3 NIA Projects (which may include reporting in respect of the funding and the completion of such projects); and
 - (g) arrangements relating to the treatment of intellectual property rights in respect of RIIO-3 NIA Projects.
- 5.2.11 Before directing that the RIIO-3 NIA Governance Document comes into effect, the Authority will publish on the Authority's Website:
- (a) the text of the proposed RIIO-3 NIA Governance Document;

- (b) the date on which the Authority intends the RIIIO-3 NIA Governance Document to come into effect; and
 - (c) a period during which representations may be made on the content of the RIIIO-3 NIA Governance Document, which will be up to 28 days unless the Authority determines that a longer period is appropriate.
- 5.2.12 Before directing an amendment to the RIIIO-3 NIA Governance Document, the Authority will publish on the Authority's Website:
- (a) the text of the amended RIIIO-3 NIA Governance Document;
 - (b) the date on which the Authority intends the amended RIIIO-3 NIA Governance Document to come into effect;
 - (c) the reasons for the amendments to the RIIIO-3 NIA Governance Document; and
 - (d) a period during which representations may be made on the amendments to the RIIIO-3 NIA Governance Document, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

Appendix 1

Value of the licensee's Network Innovation Allowance

Licensee	Value of TNIA (£m)
National Grid Electricity Transmission	117.5
Scottish Power Transmission	22.45
Scottish Hydro Electric Transmission	24.00

Special Condition 5.3 Carry-over Network Innovation Allowance (CNIA_t)

Introduction

- 5.3.1 The purpose of this condition is to calculate the term CNIA_t (the Carry-over Network Innovation Allowance term). This contributes to the calculation of the term ORA_t (the other revenue allowance term), which in turn feeds into the calculation of Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 5.3.2 The effect of this condition is to extend RIIIO-2 NIA funding.
- 5.3.3 This condition also makes appropriate provision for arrangements relating to the regulation, administration and governance of the Carry-over Network Innovation Allowance.

Part A: Formula for calculating the Carry-over Network Innovation Allowance term (CNIA_t)

- 5.3.4 For the period commencing on 1 April 2026, and ending on 30 September 2027, the value of CNIA_t is derived in accordance with the following formula:

$$CNIA_t = \min (0.9 \times ECNIA_t, CTNIA - CNIA_{t-1}) - CNIA_{t-1}$$

where:

- ECNIA_t means the expenditure incurred by the licensee in respect of Eligible CNIA Projects as calculated by the licensee in accordance with the RIIO-2 NIA Governance Document and reported to the Authority in accordance with Standard Condition B15 (Regulatory Instructions and Guidance);
- CTNIA means the value of CTNIA calculated in accordance with the formula in 5.3.47;
- CNIA_{t-1} means the CNIA allowance in relation to a Regulatory Year. For the Regulatory Year 2026/27 the value of CNIA_{t-1} is zero;
- CNIA_t means an amount recovered by the licensee in relation to the Regulatory Year 2026/27 under the RIIO-2 NIA which the Authority has directed is unrecoverable in accordance with the RIIO-2 NIA Governance Document.

5.3.5 In respect of any time after 30 September 2027, the value of CNIA_t is equal to zero.

5.3.6 Eligible CNIA Internal Expenditure may not exceed 25% of the total Eligible CNIA, unless the Authority otherwise consents.

5.3.7 The value of CTNIA is derived from the following formula:

$$CTNIA = (R2TNIA - \sum_{t=2021/22}^{2025/26} NIA_t)$$

where:

- R2TNIA means the total RIIO-2 NIA cap for the licensee, including hydrogen innovation funding where applicable, set out in Appendix 1 of this condition;
- NIA_t means value of NIA in year 't'.

Part B: The RIIO-2 NIA Governance Document

5.3.8 The licensee must comply with the RIIO-2 NIA Governance Document.

5.3.9 The Authority will amend the RIIO-2 NIA Governance Document by direction.

5.3.10 The RIIO-2 NIA Governance Document makes and will continue to make additional provision in respect of:

- (a) arrangements for ensuring that relevant learning from Eligible CNIA Projects is captured and disseminated by the licensee to other Transmission Licensees, holders of a Distribution Licence, and the ISOP;
- (b) the nature of the reporting obligations in respect of such projects (which may include reporting in respect of the funding and the completion of such projects, as well as reporting on compliance with this condition and the provisions of the RIIO-2 NIA Governance Document);
- (c) arrangements relating to the treatment of intellectual property rights in respect of Eligible CNIA Projects; and
- (d) any other matters relating to the regulation, governance or administration of the Carry-over Network Innovation Allowance.

Part C: Procedure for amending the RIIO-2 NIA Governance Document

5.3.11 Before amending the RIIO-2 NIA Governance Document by direction, the Authority will publish on the Authority's Website:

- (a) the text of the amended RIIO-2 NIA Governance Document;
- (b) the date on which the Authority intends the amended RIIO-2 NIA Governance Document to come into effect;
- (c) the reasons for the amendments to the RIIO-2 NIA Governance Document; and
- (d) a period during which representations may be made on the amendments to the RIIO-2 NIA Governance Document, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

Appendix 1

Value of the licensee's RIIO-2 Network Innovation Allowance

Licensee	Value of R2TNIA (£m)
National Grid Electricity Transmission	61.44
Scottish Power Transmission	16.59
Scottish Hydro Electric Transmission	9.96

Special Condition 5.4 Landscape Enhancement Initiative Projects allowance (LEIP_t)

Introduction

- 5.4.1 The purpose of this condition is to specify the term LEIP_t (Landscape Enhancement Initiative Projects allowance). This contributes to the calculation of ORA_t (the other revenue allowances term), which feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 5.4.2 The effect of this condition is to:
 - (a) calculate the LEIP_t term;

- (b) specify the reporting requirements for the Landscape Enhancement Initiative Projects; and
- (c) specify the expenditure cap for Landscape Enhancement Initiative Projects for the Price Control Period.

Part A: Formula for calculating the Landscape Enhancement Initiative Project Allowance (LEIP_t) term

5.4.3 The value of LEIP_t is derived in accordance with the following formula:

$$LEIP_t = \min (LEIAE_t, LEIC - \sum_{t=2026/27}^{t-1} LEIP_t)$$

where:

- LEIC means the total value of the licensee's expenditure cap for Landscape Enhancement Initiative Projects for the Price Control Period set out in Appendix 1;
- LEIAE_t means the licensee's expenditure on Landscape Enhancement Initiative Projects that the licensee reports to the Authority it has incurred that Regulatory Year in accordance with the licensee's Annual Environmental Reports for the preceding year of the RIIO-ET3 price control; and
- LEIP_t means the licensee's expenditure on Landscape Enhancement Initiative Projects that the licensee has reported to the Authority for previous Regulatory Years of the Price Control Period.

Part B: Reporting requirements

- 5.4.4 The licensee must provide, as part of the Annual Environmental Report, information on any Landscape Enhancement Initiative Project for the preceding Regulatory Year in accordance with requirements specified in the Environmental Reporting Guidance. Such information must include:
 - (a) the Designated Area for each project;
 - (b) the benefits each project is seeking to achieve; and
 - (c) the expected beneficiaries of each project.
- 5.4.5 The licensee must provide, as part of the Regulatory Reporting Pack, information on any Landscape Enhancement Initiative Project expenditure for the preceding Regulatory Year in accordance with requirements specified in the Environmental Reporting Guidance. Such information must include:
 - (a) the total amount spent in relation to the Landscape Enhancement Initiative Projects for the preceding regulatory year;
 - (b) the amount of funding allocated to each project; and
 - (c) any additional funding it expects to be allocated to each project.

Appendix 1

Expenditure cap for Landscape Enhancement Initiative Projects (LEIC) (£m,)

11.6

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

Introduction

- 5.5.1 The purpose of this condition is to calculate the term CCO_t (the Carbon Compensation term). This contributes to the calculation of ORA_t (the other revenue allowances term), which in turn feeds into the calculation of Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 5.5.2 The effect of this condition is to:
- (a) specify the associated allowance for Carbon Compensation;
 - (b) require the licensee to submit a Carbon Compensation evaluation report at the end of the Price Control Period; and
 - (c) provide for a Use It Or Lose It Adjustment
- 5.5.3 This condition also explains the process the Authority will follow when assessing the Carbon Compensation evaluation report.

Part A: Formula for calculating the Carbon Compensation term (CCO_t)

- 5.5.4 The value of CCO_t is derived in accordance with the following formula:

$$CCO_t = CCOA_t - CCOR_t$$

where:

- CCOA_t means the allowance specified as CCOA_t in Appendix 1; and
- CCOR_t has the value zero unless otherwise directed by the Authority in accordance with Part C.

Part B: Requirement to submit a Carbon Compensation evaluation report

- 5.5.5 The licensee must submit to the Authority a Carbon Compensation evaluation report by 31 October 2031.
- 5.5.6 The report must include:
- (a) a list and description of Carbon Compensation projects undertaken by the licensee during the Price Control Period;
 - (b) the cost incurred by the licensee for each project;
 - (c) evidence that the costs were efficiently incurred; and
 - (d) the emissions each project has or will offset in terms of T/CO₂e.

Part C: Assessment of the Carbon Compensation (CCOR_t)

- 5.5.7 The Authority will direct an amendment to the value of CCOR_t where it considers that a Use It Or Lose It Adjustment is appropriate, following review of any Carbon Compensation evaluation report submitted in accordance with Part B.

Part D: Authority's direction process

- 5.5.8 Before making a direction under paragraph 5.5.7, the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction; and
 - (c) a period during which representations may be made on the proposed direction, which will be up to 28 days unless the Authority determines that a longer period is appropriate.
- 5.5.9 The direction will set out the value of the CCOR_t term and the Regulatory Years to which that adjustment relates.

Appendix 1

Carbon Compensation allowance (CCOA_t) by Regulatory Year (£m)

Licensee	2026/27	2027/28	2028/29	2029/30	2030/31	Total
NGET	2.85	3.38	3.91	3.32	2.70	16.17

Chapter 6: Pass-through expenditure

Special Condition 6.1 Pass-through items (PT_t)

Introduction

- 6.1.1 The purpose of this condition is to calculate the term PT_t (the allowed pass-through term). This feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 6.1.2 The effect of this condition is to ensure that the licensee's Allowed Revenue reflects that certain costs can be passed through to users.

Part A: Formula for calculating the allowed pass-through term (PT_t)

- 6.1.3 The value of the PT_t term is derived in accordance with the following formula:

$$PT_t = RB_t + EDE_t + TPD_t + ESOP_t + CF_t + TSA_t + MP_t + ITA_t$$

where:

- RB_t means the amount levied on the licensee in respect of the Prescribed Rates or an amount directed under Part B;
- EDE_t means the payments in relation to the Pension Scheme Established Deficit repair expenditure, as set in the triennial review of Pension Scheme Established Deficit provided for in the ET3 Price Control Financial Handbook;
- TPD_t means the temporary physical disconnection costs incurred by the licensee in relation to interruption payments made by the ISOP in the licensee's Transmission Area that are charged to the licensee in accordance with the provisions of the STC;
- $ESOP_t$ means the NGESO Pension Transfer Costs and is derived in accordance with Part C;
- CF_t means the community funds for transmission infrastructure introduced by UK Government and is derived in accordance with Part D;
- TSA_t means the Tender Support Activities costs incurred by the licensee in relation to an Onshore Transmission Tender Exercise in the licensee's Transmission Area and is derived in accordance with Part E;
- MP_t means the adjustment equal to miscellaneous pass-through costs incurred by the licensee and not reflected in any other part of this condition, which the Authority has (following consultation with the licensee) directed the licensee to treat as part of MP_t ; and
- ITA_t means the cost billed of services provided by the Independent Technical Adviser associated with the licensee.

Part B: Review of Prescribed Rates pass-through term (RB_t)

- 6.1.4 As part of any periodic revaluation, the licensee must:
- (a) engage with the Relevant Valuation Agency; and
 - (b) use its reasonable endeavours to minimise the amount of the Prescribed Rates to which it is liable.
- 6.1.5 The Authority may review the licensee's engagement with the Relevant Valuation Agency with respect to a revaluation. If, after reviewing the licensee's engagement with the Relevant Valuation Agency and requesting any further information required from the licensee with respect to a particular revaluation, the Authority considers that the licensee has not complied with paragraph 6.1.4, the Authority may adjust the value of RB_t by direction.
- 6.1.6 Before making a direction under paragraph 6.1.5 the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction; and
 - (c) a period during which representations may be made on the proposed direction, which must be up to 28 days unless the Authority determines that a longer period is appropriate.
- 6.1.7 A direction under paragraph 6.1.5:
- (a) may only specify a different value for RB_t for the Regulatory Years following the Regulatory Year in which the revaluation took place; and
 - (b) may not specify a different value for RB_t that is less than zero.

Part C: Formula for calculating NGESO Pension Transfer Costs term ($ESOP_t$)

- 6.1.8 $ESOP_t$ is derived in accordance with the following formula;

$$ESOP_t = LSOIDE_t + LSOEDE_t + FSOE_t + FSOO_t$$

where:

- $LSOIDE_t$ means the payments made by the licensee in relation to the Incremental Deficit for each Regulatory Year in respect of legacy pensioner and deferred pension members attributed to NGESO;
- $LSOEDE_t$ means the adjustment to offset any negative value incurred by the licensee for each Regulatory Year in relation to the Pension Scheme Established Deficit in respect of legacy pensioner and deferred pension members attributed to NGESO, including (for avoidance of doubt) any stranded surplus clawback, as further explained and elaborated upon in the ET3 Price Control Financial Handbook;
- $FSOE_t$ means the payments made by the licensee for external costs relating to the National Grid Electricity Group of the Electricity Supply Pension Scheme for each Regulatory Year as specified in paragraph 6.1.10 multiplied by the Pre Cut-Off Date Regulatory Fraction for

NGESO, excluding any costs recovered by the licensee via NGESO as part of the transition cost recovery process; and

FSO_{0t} means the value directed by the Authority and represents for each Regulatory Year other NGESO Pension Transfer Costs, excluding any costs recovered by the licensee via NGESO as part of the transition cost recovery process.

- 6.1.9 The Authority may review, and by direction adjust the value of, the LSOIDE_t term, the LSOEDE_t term and/or the FSOE_t term.
- 6.1.10 Costs properly incurred by the licensee for the purposes of calculating FSOE_t are:
- (a) scheme management and administration costs, including all explicitly charged investment fees and regulatory imposed costs such as Pension Protection Fund and related levies and other non-controllable costs of meeting regulatory requirements of the Pensions Regulator and all relevant statutory requirements;
 - (b) reasonable pension liability management costs including the cost of early retirement, voluntary redundancy, flexible retirement options, transfer and pension increase exchange (PIE) exercises, and
 - (c) such project costs reasonably incurred.
- 6.1.11 The licensee may submit evidence to the Authority of such other NGESO Pension Transfer Costs that in its view should be included in the calculation of FSOE_t.
- 6.1.12 For the purposes of this condition “NGESO” means the company previously known as National Grid Electricity System Operator Limited with company number 11014226, which is now to be known as National Energy System Operator Limited.

Part D: Formula for calculating the community funds for transmission infrastructure adjustment term (CF_t)

- 6.1.13 For the purposes of the principal formula, which establishes the calculation of Allowed Revenue, and subject to paragraph 6.1.15, the value of CF_t is derived in accordance with the following formula:

$$CF_t = (OHL_t + SuS_t + SwS_t + CoS_t + CFD_t + CFRev_t) \frac{PI_{2023/24}}{PI_t}$$

where:

CF_t means the community funds for transmission infrastructure introduced by the UK Government’s guidance on Community funds for transmission infrastructure.¹

¹ <https://assets.publishing.service.gov.uk/media/67cef18c54faabbadf916090/community-funds-for-transmission-infrastructure.pdf>

In the formula above for CF_t,

t represents the Regulatory Year;

OHL_t is the allowed pass-through costs for overhead lines, given by the following formula:

$$OHL_t = \min (OHLF_t, OHLA - \sum_{t=2025/26}^{t-1} OHLF_t)$$

where:

$OHLF_t$ is the funds awarded and paid for overhead lines during year t ; and

$OHLA$ is the allowance for overhead lines for all eligible projects, calculated as £195,320 per km of new overhead line (total length, to one decimal place).²

SuS_t is the allowed pass-through costs for substations, given by the following formula:

$$SuS_t = \min (SuSF_t, SuSA - \sum_{t=2025/26}^{t-1} SuSF_t)$$

where:

$SuSF_t$ is the funds awarded and paid for substations during year t ; and

$SuSA$ is the allowance for substations for all eligible projects, calculated as £517,598 per substation.³

SwS_t is the allowed pass-through costs for switching stations, given by the following formula:

$$SwS_t = \min (SwSF_t, SwSA - \sum_{t=2025/26}^{t-1} SwSF_t)$$

where:

$SwSF_t$ is the funds awarded and paid for switching stations during year t ; and

$SwSA$ is the allowance for switching stations for all eligible projects, calculated as £517,598 per switching station.⁴

CoS_t is the allowed pass-through costs for converter stations, given by the following formula:

$$CoS_t = \min (CoSF_t, CoSA - \sum_{t=2025/26}^{t-1} CoSF_t)$$

² expressed in 2023/24 price base

³ expressed in 2023/24 price base

⁴ expressed in 2023/24 price base

where:

$CoSF_t$ is the funds awarded and paid for converter stations during year t ;
and

$CoSA$ is the allowance for converter stations for all eligible projects,
calculated as £517,598 per converter station.⁵

CFD_t is the allowed pass-through costs for delivery of community funds, given by the following formula:

$$CFD_t = \min (CFDC_t, CFDA - \sum_{t=2025/26}^{t-1} CFDC_t)$$

where:

$CFDC_t$ are the costs incurred by the licensee in delivery of community funds related to eligible projects (as set out in paragraph 6.1.21); and

$CFDA$ is the allowance for delivery costs, calculated as 10% of overall allowed community funding, given by the formula:

$$CFDA = (OHLA + SuSA + SwSA + CoSA) * 10\%$$

$CFRev_t$ is the adjustment relating to any Community Funds for Transmission Infrastructure Review (as set out in paragraphs 6.1.15 - 6.1.19);

PI_t means the price index term and is derived in accordance with SpC 2.1; and

$PI_{2023/24}$ means the price index term for the Regulatory Year commencing on 1 April 2023 and is derived in accordance with SpC 2.1.

6.1.14 In the Regulatory Year 2026/27 CF_t will have the value according to the following formula:

$$CF_t = CF_{2026/27} + (CF_{2025/26} * (1 + WACC_{2025/26}))$$

where:

$CF_{2025/26}$ & $CF_{2026/27}$ is calculated in accordance with paragraphs 6.1.13 and 6.1.14.

$WACC_{2025/26}$ means the weighted average cost of capital and has the value set out in the “AR” sheet of the ET2 Legacy Price Control Financial Model

6.1.15 The licensee must submit to the Authority annually a breakdown of the delivery costs that the licensee has incurred or expects to incur, during the Price Control Period, to enable it to deliver Community Funds for transmission

⁵ expressed in 2023/24 price base

infrastructure. In 2030/31, the Authority may commence a review of those costs (the 'CF review').

- 6.1.16 The Authority, in undertaking a CF review under paragraph 6.1.15, will determine whether the costs incurred or expected to be incurred constitute Community Funds Project Delivery Costs.
- 6.1.17 The Authority may make a direction under this Part where:
 - (a) it has conducted a review under paragraph 6.1.15; and
 - (b) the Community Funds Project Delivery Costs delivery costs have exceeded 10% of the total community fund project portfolio.
- 6.1.18 A direction under this Part may:
 - (a) set the value of $CFRev_t$ for any Regulatory Year, subject to paragraph 6.1.17; and
 - (b) impose conditions with respect to the amounts and circumstances in which future costs may be passed through under the CF_t term.
- 6.1.19 Before making a direction under paragraph 6.1.18 the Authority will publish on the Authority's Website:
 - (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction; and
 - (c) a period during which representations may be made on the proposed direction, which may be up to 28 days unless the Authority determines that a longer period is appropriate.
- 6.1.20 In the Regulatory Years before 2026/27, $CFRev_t$ will have the value of zero.
- 6.1.21 In this condition "Community Funds Project Delivery Costs" are the costs set out in the UK Government Community funds for transmission infrastructure guidance, including but not limited to:
 - (a) capacity building;
 - (b) feasibility work;
 - (c) staff costs;
 - (d) engagement;
 - (e) marketing;
 - (f) PR costs;
 - (g) third-party administrator costs; and
 - (h) governance costs.
- 6.1.22 The Authority may amend paragraph 6.1.21 by direction only where the UK Government amends the Community Funds for transmission infrastructure guidance.
- 6.1.23 The licensee must comply with the Community Funds Pass-through Guidance.

- 6.1.24 The Community Funds Pass-through Guidance will include, or make provision for, the following matters:
- (a) details of information related to the licensee's delivery of community funds for transmission infrastructure, as required under paragraph 6.1.15;
 - (b) the format for providing a full annual account of all actual costs incurred under this Part to the Authority in accordance with paragraph 6.1.15;
 - (c) timescales for providing a full annual account of all actual costs incurred under this Part to the Authority in accordance with paragraph 6.1.156;
 - (d) the process of submitting delivery costs related to managing and delivering the Community Fund, in accordance with paragraph 6.1.15;
 - (e) the process for resolving disputes concerning the determination and direction of Community Funds Project Delivery Costs, in accordance with the CF Review set out in paragraphs 6.1.16 through to 6.1.19.
- 6.1.25 Before issuing the Community Funds Pass-through Guidance, the Authority will publish on the Authority's Website:
- (a) the text of the proposed Community Funds Pass-through Guidance;
 - (b) the reasons for the proposed Community Funds Pass-through Guidance; and
 - (c) a period during which representations on the proposed Community Funds Pass-through Guidance may be made, which will be up to 28 days unless the Authority determines that a longer period is appropriate.
- 6.1.26 Before directing an amendment to the Community Funds Pass-through Guidance by direction, the Authority will publish on the Authority's Website:
- (a) the text of the amended Community Funds Pass-through Guidance;
 - (b) the date on which the Authority intends the amended Community Funds Pass-through Guidance will take effect;
 - (c) the reasons for the amendments to the Community Funds Pass-through Guidance; and
 - (d) a period during which representations on the amendments to the Community Funds Pass-through Guidance may be made, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

Part E: Tender Support Activities (TSA_t)

- 6.1.27 Costs properly incurred by the licensee for the purposes of calculating TSA_t when conducting Tender Support Activities during an Onshore Transmission Tender Exercise are limited to:
- (a) provision of information to ISOP in respect of an Onshore Transmission Tender Exercise; and
 - (b) facilitation of site visits for Qualifying Bidders during an Onshore Transmission Tender Exercise.

- 6.1.28 The licensee can only recover costs under TSA_t that have been incurred during an Onshore Transmission Tender Exercise in the licensee's Transmission Area which were incurred in accordance with the Onshore Competition Information Exchange Guidance.
- 6.1.29 The licensee must report annual expenditure relating to its Tender Support Activities in accordance with the RIGs.

Special Condition 6.2 Independent Technical Adviser (ITA_t)

Introduction

- 6.2.1 The purpose of this condition is to calculate the term ITA_t (the Independent Technical Adviser pass-through term). This contributes to the calculation of the PT_t (the allowed pass-through term), which in turn feeds into Special Condition 2.1 (Revenue Restriction).
- 6.2.2 The effect of this condition is to:
- (a) adjust the licensee's revenue to reflect the costs incurred from the services provided by the Independent Technical Adviser; and
 - (b) establish the ITA Guidance Document.
- 6.2.3 This condition also places obligations on the licensee with respect to the Independent Technical Adviser.

Part A: The Independent Technical Adviser pass-through term (ITA_t)

- 6.2.4 ITA_t means the cost of services provided by the Independent Technical Adviser associated with the licensee.
- 6.2.5 The cost of services provided by the Independent Technical Adviser is determined by:
- (a) the cost billed to the licensee by the Independent Technical Adviser as set out in the pricing arrangements contained in the ITA Call-off Contract; and
 - (b) the processes set out in the ITA Guidance Document which determine the eligibility of licensee projects for Independent Technical Adviser assurance during in the Price Control Period.

Part B: The ITA Guidance Document

- 6.2.6 The licensee must comply with the ITA Guidance Document.
- 6.2.7 The Authority will issue and amend the ITA Guidance Document by direction.
- 6.2.8 The Authority will publish the ITA Guidance Document on the Authority's Website.
- 6.2.9 The ITA Guidance Document will make provision about the governance and administration of the Independent Technical Adviser, including:

- (a) the eligibility considerations and consultation process followed by the Authority to determine the load-related projects of the licensee that will be eligible for the Independent Technical Adviser;
 - (b) the details of the processes applied by the Authority to appoint the Independent Technical Adviser, including circumstance such as early termination and replacement of the Independent Technical Adviser before the agreed term length in either the ITA Framework Agreement or ITA Call-off Contract.
 - (c) a summary of the ITA Terms of Reference.
- 6.2.10 Before issuing the ITA Guidance Document the Authority will publish on the Authority's Website:
- (a) the text of the proposed ITA Guidance Document;
 - (b) the date on which the Authority intends the ITA Guidance Document to come into effect; and
 - (c) a period during which representations may be made on the content of the ITA Guidance Document, which will be up to 28 days unless the Authority determines that a longer period is appropriate.
- 6.2.11 Before directing amendment to the ITA Guidance Document, the Authority will publish on the Authority's website:
- (a) the amended ITA Guidance Document;
 - (b) the date in which the Authority intends the amended ITA Guidance Document will come into effect;
 - (c) the reasons for the amendments to the ITA Guidance Document; and
 - (d) a period during which representations may be made on the proposed direction, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

Part C: Principles and obligations on the licensee in relation to the Independent Technical Adviser

- 6.2.12 The licensee must use all reasonable endeavours to engage with the Independent Technical Adviser in a manner consistent with the following principles:
- (a) to act with integrity;
 - (b) to support efficient and effective performance of the Independent Technical Adviser; and
 - (c) to maximise the consumer benefit of all activities carried out by the Independent Technical Adviser in fulfilling its role.
- 6.2.13 The licensee must use all reasonable endeavours to comply with the requirements of the Independent Technical Adviser to fulfil its role on all projects determined eligible by the Authority.

- 6.2.14 When the Independent Technical Adviser is carrying out its prescribed assurance role on an eligible project of the licensee, the licensee must use reasonable endeavours to:
- (a) co-operate with the Independent Technical Adviser in relation to all matters in the delivery of its role, including keeping it updated on the progress of eligible projects;
 - (b) as soon as practicable provide data, information and other forms of assistance to the Independent Technical Adviser as it may reasonably require or request in fulfilling its role;
 - (c) ensure, to the best of the licensee's knowledge at the time of provision, the truth and accuracy of all data and information provided under paragraph 6.2.134(b);
 - (d) provide access to any personnel involved in the development and/or delivery of eligible projects as required by the Independent Technical Adviser, subject the provision of reasonable prior notice;
 - (e) provide access and invitation to all relevant meetings, subject to the provision of reasonable prior notice; and
 - (f) subject to health & safety or other relevant regulatory limitations as set out in the ITA Call-off Contract, provide physical site access for Independent Technical Adviser personnel to carry out any required activities, subject to the provision of reasonable prior notice.
- 6.2.15 Following the appointment of the Independent Technical Adviser, the licensee must respond as soon as reasonably possible to engagement from the Independent Technical Adviser and the Authority to onboard the Independent Technical Adviser to begin its role.
- 6.2.16 Before the Authority enters into an ITA Call-off Contract to which the licensee is or will be a party, the Authority must engage with the licensee on the proposed form of the contractual agreement and on the proposed scope of the services under it. The Authority shall not be obliged to implement any licensee proposals. The Authority shall share any final ITA Call-off Contract with the licensee.
- 6.2.17 Where requested to do so by the Authority, subject to 6.2.16, the licensee must:
- (a) not unreasonably withhold or delay its agreement to enter into a form of ITA Call-off Contract proposed by the Authority; and
 - (b) at the Authority's request, co-operate with the Authority in the development of any ITA Call-off Contract or other contractual agreement pertinent to the Independent Technical Adviser carrying out its role.
- 6.2.18 Where the licensee enters into an ITA Call-off Contract described in paragraph 6.2.17, the licensee must pay the costs incurred under that ITA Call-off Contract directly to the Independent Technical Adviser in accordance with the terms of the relevant ITA Call-off Contract.

- 6.2.19 Where the Authority incurs costs under an ITA Call-off Contract in respect of services provided by the Independent Technical Adviser for the purposes of this condition in relation to the licensee, it may invoice the licensee for those costs.

Chapter 7: Legacy adjustments

Special Condition 7.1 Legacy adjustments to revenue (LAR_t)

Introduction

- 7.1.1 The purpose of this condition is to calculate the term LAR_t (the legacy adjustments term), which in turn feeds into the calculation of Allowed Revenue in Special Condition 2.1 (Revenue restriction).
- 7.1.2 The value of LAR_t and its components are in nominal prices.

Part A: Formula for calculating total legacy adjustments (LAR_t)

- 7.1.3 The value of the LAR_t term is derived in accordance with the following formula:

$$LAR_t = LADJ_t + LK_t$$

where:

- $LADJ_t$ is derived in accordance with Special Condition 7.2 (Legacy AIP Adjustment term)
- LK_t is derived in accordance with Special Condition 7.3 (Legacy K correction)

Special Condition 7.2 Legacy AIP Adjustment term ($LADJ_t$)

Introduction

- 7.2.1 The purpose of this condition is to set out the process that the Authority will follow when directing values for the term $LADJ_t$ (the legacy AIP Adjustment term). This contributes to the calculation of the legacy adjustments term in Special Condition 7.1 (Legacy adjustments to revenue), which in turn feeds into the calculation of Allowed Revenue in Special Condition 2.1 (Revenue restriction).
- 7.2.2 The effect of this condition is to reflect the close out of the ET2 Legacy Price Control Financial Model.

Part A: Authority assessment and direction

- 7.2.3 The value of $LADJ_t$ is derived in accordance with the following formula:

$$LADJ_t = \frac{ADJ_{26/27}}{5} \cdot CWACC_t$$

where:

- $ADJ_{26/27}$ has the value determined by the Authority in accordance with Chapter 8 (Legacy) of the ET3 Price Control Financial Handbook and directed by the Authority in accordance with this condition;

CWACC_t means compound WACC and has the value derived in accordance with Part B.

7.2.4 Before making a direction under this condition the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

Part B: Compound WACC

7.2.5 For the Regulatory Year commencing on 1 April 2026, CWACC_t has the value of 1.

7.2.6 For Regulatory Years commencing on or after 1 April 2027, CWACC_t is derived in accordance with the following formula:

$$CWACC_t = \prod_{t=2026/27}^{t-1} (1 + nomWACC_t)$$

Where:

nomWACC_t means the nominal weighted average cost of capital, and is defined in Part F of Special Condition 2.1 (Revenue Restriction).

Special Condition 7.3 Legacy K correction (LK_t)

7.3.1 The purpose of this condition is to calculate the term LK_t (the legacy K correction term). This contributes to the calculation of the legacy adjustments term in Special Condition 7.1 (Legacy adjustments to revenue), which in turn feeds into the calculation of Allowed Revenue in Special Condition 2.1 (Revenue restriction).

7.3.2 The effect of this condition is to close out the RIIO-ET2 correction term.

Part A: Formula for calculating the legacy correction term (LK_t)

7.3.3 The value of LK_t is derived in accordance with the following formula:

$$LK_t = \frac{K_{26/27}}{5} \cdot CWACC_t$$

K_{26/27} has the value determined by the Authority in accordance with Chapter 8 (Legacy) of the ET3 Price Control Financial Handbook and directed by the Authority in accordance with this condition;

CWACC_t means compound WACC and has the value derived in accordance with Part B of Special Condition 7.2 Legacy AIP Adjustment term (*LADJ_t*) .

7.3.4 Before making a direction under this condition the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

Special Condition 7.4 Legacy net RAV additions (*LRAV_t*) and tax balances

Introduction

- 7.4.1 The purpose of this condition is to explain the process that the Authority will follow when directing opening balances for the legacy net RAV additions and tax pool and tax loss balances.
- 7.4.2 The effect is to reflect the close out of the ET2 Legacy Price Control Financial Model in respect of legacy net RAV additions and tax pool and tax loss balances.

Part A: The legacy net RAV additions term (*LRAV_t*)

- 7.4.3 The Authority will determine the value of *LRAV_t* in accordance with the general financial adjustment methodology in Chapter 8 of the ET3 Price Control Financial Handbook and direct the value in accordance with this condition.

Part B: Carry over of tax balances

- 7.4.4 The Authority will determine the value of the terms *OGP_t*, *OSRP_t*, *OSBP_t*, *LOSBP_t*, *ODRP_t*, *LODRP_t* and *OTL_t* in accordance with the general financial adjustment methodology in Chapter 8 of the ET3 Price Control Financial Handbook and direct the values in accordance with this condition.

Part C: Procedure for making a direction

- 7.4.5 Before making a direction under this condition the Authority will publish on the Authority's Website:
 - (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction; and
 - (c) a period during which representations may be made on the proposed direction, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

Chapter 8: Governance

Special Condition 8.1 Governance of the ET3 Price Control Financial Instruments

Introduction

8.1.1 The purpose of this condition is to establish:

- (a) the ET3 Price Control Financial Instruments; and
- (b) a robust and transparent change control framework for the ET3 Price Control Financial Instruments;

Part A: The ET3 Price Control Financial Instruments

8.1.2 Each of the following ET3 Price Control Financial Instruments forms part of this condition:

- (a) the ET3 Price Control Financial Handbook; and
- (b) the ET3 Price Control Financial Model.

Part B: Modification of the ET3 Price Control Financial Instruments

8.1.3 The Authority may by direction make modifications to the ET3 Price Control Financial Instruments under this Part at any time during the Price Control Period where:

- (a) it becomes aware of a modification that will improve the functionality or clarity of the ET3 Price Control Financial Instruments; and
- (b) the modification will have no impact on the licensee's Allowed Revenue.

8.1.4 For the purposes of paragraph 8.1.3(b), it is to be presumed that a modification which serves to correct a manifest error will have no impact on the licensee's Allowed Revenue. This is without prejudice to the licensee's right to make representations to the Authority that a particular modification will have an impact on the licensee's Allowed Revenue.

8.1.5 The following categories of modification may be made under this Part:

- (a) formatting changes such as re-numbering of paragraphs, capitalising defined terms, cell labelling, renaming or re-ordering of sections or worksheets;
- (b) deleting irrelevant material such as transitional provisions that have expired;
- (c) updates such as to dates, version numbers of documents, titles of re-enacted legislation and re-named bodies;
- (d) consequential changes required to reflect modifications made to the special conditions such as the addition or removal of PCFM Variable Values; and

- (e) correction of manifest errors, such as discrepancies between the ET3 Price Control Financial Instruments and between the ET3 Price Control Financial Instruments and the other special conditions.

8.1.6 The following do not constitute a modification of the ET3 Price Control Financial Model:

- (a) entering a PCFM Variable Value into the ET3 Price Control Financial Model;
- (b) changing the filename of the spreadsheet containing the ET3 Price Control Financial Model; and
- (c) changing the publication date on the cover sheet of the ET3 Price Control Financial Model.

Part C: Procedure for making a direction

8.1.7 Before making a direction under paragraph 8.1.3, the Authority will:

- (a) consider any representations made by the ET3 Price Control Financial Model Working Group in relation to modifications of the type set out in paragraph 8.1.5; and
- (b) publish on the Authority's Website:
 - i. the text of the proposed direction;
 - ii. the reasons for the proposed direction, including why the Authority believes that the modification meets the requirements of paragraphs 8.1.3 and 8.1.5; and
 - iii. a period during which representations may be made on the proposed direction, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

8.1.8 A direction under paragraph 8.1.3 will set out:

- (a) the modifications to the ET3 Price Control Finance Instruments; and
- (b) the date from which it is to have effect or the mechanism by which that date is to be determined.

Part D: Availability and updating of ET3 Price Control Financial Instruments

8.1.9 The Authority will maintain on the Authority's Website an up-to- date copy of the ET3 Price Control Financial Instruments throughout the Price Control Period.

8.1.10 The Authority will ensure that any modifications of the ET3 Price Control Financial Instruments, whether under Part B of this condition or otherwise, are promptly incorporated into a consolidated version maintained on the Authority's Website.

8.1.11 The Authority will publish on the Authority's Website a consolidated version of the ET3 Price Control Financial Model containing the updated value of ART for all Transmission Owners following the licensee's annual publication of the ET3 Price Control Financial Model under paragraph 2.1.5 of Special Condition 2.1 (Revenue restriction).

Chapter 9: General Obligations

Special Condition 9.1 Annual Environmental Report

Introduction

- 9.1.1 This condition requires the licensee to prepare and publish an Annual Environmental Report.
- 9.1.2 The purpose of an Annual Environmental Report is to increase the public transparency and accountability of the licensee in relation to the impacts of its business and network activities on the environment, and in relation to the licensee's progress against its Environmental Action Plan Commitments.
- 9.1.3 This condition also explains the process that the Authority will follow in issuing and amending the Environmental Reporting Guidance.
- 9.1.4 The licensee must comply with the Environmental Reporting Guidance when preparing its Annual Environmental Report.

Part A: Requirement to prepare and publish an Annual Environmental Report

- 9.1.5 The licensee must prepare an Annual Environmental Report in accordance with the Environmental Reporting Guidance.
- 9.1.6 The licensee must publish an Annual Environmental Report for the preceding Regulatory Year on, or before, the date specified in the Environmental Reporting Guidance.
- 9.1.7 The licensee must ensure its Annual Environmental Report is readily accessible to the public from the licensee's website.
- 9.1.8 The Annual Environmental Report must consist of two sections as per the Environmental Reporting Guidance: a quantitative key performance indicator section and a predominantly qualitative commentary section.
- 9.1.9 The licensee must submit all the data presented in the Annual Environmental Report to the Authority in a format prescribed in the Environmental Reporting Guidance. The submission date should align with the publication of the Annual Environmental Report.

Part B: Environmental Reporting Guidance

- 9.1.10 The Authority will issue and amend the Environmental Reporting Guidance by direction.
- 9.1.11 The Authority will publish the Environmental Reporting Guidance on the Authority's Website.
- 9.1.12 The Environmental Reporting Guidance will set out how the licensee must prepare its Annual Environmental Report, including the following:

- (a) the engagement the licensee is required to undertake with stakeholders to help inform the development of its Annual Environmental Report;
 - (b) the requirements for the structure and level of detail to be included in the Annual Environmental Report, including some of the data metrics to be used, as well as expectations about the level of explanatory text to be included;
 - (c) the format for submitting information to the Authority; and
 - (d) the environmental impacts, relevant Environmental Action Plan Commitments, business practices, existing obligations and activities that must be covered in the Annual Environmental Report.
- 9.1.13 Before issuing the Environmental Reporting Guidance by direction, the Authority will publish on the Authority's Website:
- (a) the text of the proposed Environmental Reporting Guidance;
 - (b) the date on which the Authority intends the Environmental Reporting Guidance to come into effect; and
 - (c) a period during which representations may be made on the content of the Environmental Reporting Guidance, which will be up to 28 days unless the Authority determines that a longer period is appropriate.
- 9.1.14 Before amending the Environmental Reporting Guidance by direction, the Authority will publish on the Authority's Website:
- (a) the text of the proposed amendments to the Environmental Reporting Guidance;
 - (b) the date on which the Authority intends the amended Environmental Reporting Guidance to come into effect, which, unless agreed with the licensee, will not be before three months from the date of publication or the commencement of the subsequent Regulatory Year following publication, whichever is later;
 - (c) the reasons for the proposed amendments to the Environmental Reporting Guidance;
 - (d) how the proposed reporting requirements provide an appropriate balance between the costs of reporting and benefit of the information created; and
 - (e) a period during which representations may be made on the proposed amendments to the Environmental Reporting Guidance, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

Special Condition 9.2 Network Asset Risk Metric methodology

Introduction

- 9.2.1 This condition sets out:
- (a) the requirements on the licensee in respect of the NARM Methodology;
 - (b) the NARM Objectives;

- (c) the process for modifying the NARM Methodology where the proposed modifications have a material impact on the Baseline Network Risk Outputs;
- (d) the process for modifying the NARM Methodology where the proposed modifications do not have a material impact on the Baseline Network Risk Outputs;
- (e) the requirements on the licensee in respect of the Information Gathering Plan; and
- (f) the requirements on the licensee to work with all other Transmission Owners to produce an Engineering Guidance Document.
- (g) the requirements on the licensee to work with all other Transmission Owners to develop the ET NARM Methodology;
- (h) Authority approval, modification or direction of the ET NARM Methodology;
- (i) the requirements on the licensee to take steps towards implementing the ET NARM Methodology in the subsequent price control period;

Part A: Requirement to have a NARM Methodology

- 9.2.2 The licensee must have in place and act in accordance with a NARM Methodology that facilitates the achievement of the NARM Objectives.
- 9.2.3 The NARM Methodology which is approved by the Authority and effective from 01 April 2026 is deemed to be the NARM Methodology until superseded.

Part B: The NARM Objectives

- 9.2.4 The NARM Objectives are:
 - (a) to provide transparent, logical links between:
 - i. the Asset Data that the licensee collects through inspections, maintenance, and other asset management activities;
 - ii. the data that the licensee inputs into its Asset Management Systems;
 - iii. the licensee's asset management decisions; and
 - iv. where relevant, the licensee's whole system investment decisions;
 - (b) to enable the Authority to establish the licensee's Baseline Network Risk Outputs and to undertake an objective assessment of the licensee's Baseline Network Risk Outputs delivery;
 - (c) to enable the robust estimation of Current Monetised Risk, Forecast Monetised Risk, Single-year Monetised Risk, and Long-term Monetised Risk of asset failure for:
 - i. each NARM Asset Category;
 - ii. individual NARM Assets within each NARM Asset Category; and
 - iii. the licensee's Transmission System;

- (d) to enable the robust estimation of the Current Monetised Risk and Long-term Monetised Risk benefits delivered, or expected to be delivered, through interventions on specific assets or groups of assets;
- (e) to provide inputs to help explain and justify, through Cost-Benefit Analysis:
 - i. the licensee's investment plans for managing and renewing its NARM Assets; and
 - ii. the licensee's outturn delivery of investment options;
- (f) to enable the identification and quantification of drivers leading to changes in Monetised Risk over time;
- (g) to enable the comparative analysis of Monetised Risk between:
 - i. different NARM Asset Categories and between individual NARM Assets on the licensee's Transmission System;
 - ii. geographic areas of, and NARM Assets within, the licensee's Transmission System;
 - iii. the licensee's Transmission System and other networks within the same sector;
 - iv. the licensee's Transmission System and networks outside and inside Great Britain with similar assets should similar approaches as set out in the NARM Methodology be applied to estimate Monetised Risk for those networks; and
 - v. the Transmission Systems and Distribution Systems within Great Britain; and
- (h) to enable the communication to the Authority and other interested parties of relevant information about the licensee's Transmission System in an accessible and transparent manner.

Part C: Modifications of the NARM Methodology that have a material impact on the Baseline Network Risk Output

- 9.2.5 The licensee must, at least once every year, review the NARM Methodology to identify scope for modifications that would better facilitate the achievement of the NARM Objectives.
- 9.2.6 Where the licensee has identified scope for modifications that better facilitate the achievement of the NARM Objectives which would have a material impact on the licensee's Baseline Network Risk Output, it must notify the Authority of the timeframes within which it will propose the relevant modifications to the NARM Methodology.
- 9.2.7 Where the licensee proposes a modification to the NARM Methodology under this Part, it must:
 - (a) consult other Network Licensees to which a condition of equivalent effect to this condition applies and with any other interested parties, allowing them a period of at least 28 days within which to make any representations on the proposed modification;
 - (b) submit to the Authority a report containing:

- i. a statement explaining the proposed modification to the NARM Methodology; and
 - ii. an explanation of how, in the licensee's opinion, the proposed modification, if made, would better facilitate the achievement of the NARM Objectives;
- (c) submit to the Authority a draft NARM Methodology that incorporates the proposed modification;
- (d) submit to the Authority any relevant subsidiary or supporting documents, data files, or quantitative models;
- (e) submit to the Authority a full and fair summary of any representations that were made to the licensee pursuant to sub-paragraph (a) above and not withdrawn;
- (f) submit to the Authority an explanation of any changes to the modification proposal that the licensee has made as a consequence of the representations received;
- (g) submit to the Authority a presentation of the data and any other relevant information (including historical data, which should be provided, where reasonably practicable and relevant, for a period of at least ten years prior to the date of the modification proposal) the licensee has used for the purpose of developing the proposed modification;
- (h) submit to the Authority a plan setting out how the licensee intends to rebase its Baseline Network Risk Outputs, if Rebasing is a necessary consequence of implementing the proposed modification; and
- (i) submit to the Authority a timetable for the implementation of the proposed modification, including a date for submission of Rebased Baseline Network Risk Outputs, if necessary.

9.2.8 The Authority will by direction:

- (a) approve the proposed modification;
- (b) approve the proposed modification with amendments; or
- (c) reject the proposed modification.

9.2.9 In the case of paragraph 9.2.8(a) or (b) the Authority may also direct the date by which the licensee must submit Rebased Baseline Network Risk Outputs in accordance with Special Condition 3.1 (Baseline Network Risk Outputs).

9.2.10 The licensee must implement the modification directed under paragraph 9.2.8(a) or (b) by such date as may be set out in that direction.

9.2.11 Before issuing a direction under paragraph 9.2.8, the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the date on which the Authority intends the proposed direction to come into effect;
- (c) the reasons why it proposes to issue the direction; and

- (d) a period during which representations may be made on the proposed direction, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

Part D: Modifications of the NARM Methodology that do not have a material impact on the Baseline Network Risk Output

9.2.12 The licensee may propose modifications under this Part of the type set out in paragraph 9.2.13 where:

- (a) the modification would improve the clarity of the NARM Methodology;
- (b) it has obtained the agreement of all Transmission Owners; and
- (c) the modification will have no material impact on the licensee's or any other Transmission Owner's:
 - i. Baseline Network Risk Output; or
 - ii. delivery against its Baseline Network Risk Output.

9.2.13 The following categories of modifications may be made under this Part:

- (a) formatting changes such as re-numbering of paragraphs, capitalising defined terms, cell labelling, renaming, or re-ordering of sections or appendices;
- (b) deleting irrelevant material such as transitional provisions that have expired;
- (c) updates such as to dates, version numbers of documents, titles of re-enacted legislation and re-named bodies;
- (d) consequential changes required to reflect modifications made to the special conditions such as the addition, removal or modification of defined terms; and
- (e) corrections of manifest errors.

9.2.14 Where the licensee proposes a modification under this Part, it must send to the Authority and all other Transmission Owners a statement that sets out:

- (a) the proposed modification to the NARM Methodology;
- (b) how, in the licensee's opinion, the proposed modification, if made, would improve the clarity of the NARM Methodology; and
- (c) the materiality of the proposed modification on the licensee's Baseline Network Risk Output.

9.2.15 The Authority must by direction:

- (a) approve the proposed modification;
- (b) approve the proposed modification with amendments;
- (c) reject the proposed modification; or
- (d) reject the proposed modification and direct the licensee to make a further submission under this Part or Part C.

- 9.2.16 A direction under paragraph 9.2.15 will likely be insufficiently significant to warrant publication or formal consultation, but the Authority will consider this on a case-by-case basis.

Part E: Information Gathering Plan

- 9.2.17 The licensee must provide the Authority with an Information Gathering Plan by 01 October 2026.
- 9.2.18 The Information Gathering Plan must:
- (a) set out how the licensee will gather and record the information required for its implementation of the NARM Methodology; and
 - (b) include the scope and form of the data that the licensee collects and the frequency with which data is collected to enable the licensee to report on progress against its Baseline Network Risk Output in accordance with its NARM Methodology annually, in accordance with the RIGs.
- 9.2.19 The licensee must provide the Authority with an updated Information Gathering Plan by no later than 12 weeks after the Authority's:
- (a) approval of the ET NARM Methodology under paragraph 9.2.30(a);
 - (b) direction to modify the submitted ET NARM Methodology under paragraph 9.2.30(b); or
 - (c) direction to comply with an ET NARM Methodology in accordance with paragraph 9.2.31.
- 9.2.20 The updated Information Gathering Plan must:
- (a) set out how the licensee will gather and record the information required for the implementation of the ET NARM Methodology in the subsequent price control; and
 - (b) include the scope and form of the data the licensee will collect and the frequency with which the data is collected for the implementation of the ET NARM Methodology in the subsequent price control.
- 9.2.21 The licensee must, at least once every year, review the Information Gathering Plan and where necessary modify it, to ensure that it complies with the requirements of paragraphs 9.2.18 and 9.2.20 where applicable.

Part F: Engineering Guidance Document

- 9.2.22 The licensee must work in co-operation with all other Transmission Owners to produce a common Engineering Guidance Document ("the ET Engineering Guidance Document") on reporting asset condition data inputs to the ET NARM Methodology.
- 9.2.23 The licensee and all other Transmission Owners must submit the ET Engineering Guidance Document to the Authority by no later than 12 weeks after the Authority's:
- (a) approval of the ET NARM Methodology under paragraph 9.2.30(a);

- (b) direction to modify the submitted ET NARM Methodology under paragraph 9.2.30(b); or
 - (c) direction to comply with an ET NARM Methodology in accordance with paragraph 9.2.31.
- 9.2.24 The objectives of the ET Engineering Guidance Document are to:
- (a) establish common standards for reporting asset condition data for all assets in the ET NARM Methodology;
 - (b) provide guidance on capturing asset condition data, including the provision of visual and descriptive aids where relevant; and
 - (c) promote best practices for assessing and recording asset condition data.
- 9.2.25 The licensee must at least once every year, review the ET Engineering Guidance Document to identify scope for modifications and where necessary modify it, ensure that it continues to meet the objectives set out in paragraph 9.2.24.

Part G: Requirement to develop the ET NARM Methodology and supporting asset data systems

- 9.2.26 The licensee must work in co-operation with all other Transmission Owners to contribute to the full and timely development of an industry-consulted methodology for NARM which is common to all Transmission Owners (“the ET NARM Methodology”).
- 9.2.27 The licensee and all other Transmission Owners must submit:
- (a) a first draft of the ET NARM Methodology for comment to the Authority by 01 April 2027.
 - (b) the final version of the ET NARM Methodology for approval by the Authority, in accordance with Part H by 01 April 2028.
- 9.2.28 The ET NARM Methodology must:
- (a) facilitate the achievement of the NARM Objectives set out in Part B of this condition; and
 - (b) be able to be implemented by the licensee in the subsequent price control through appropriate amendment of its own NARM Methodology.
- 9.2.29 The licensee must:
- (a) take all reasonable steps, prior to the Authority’s approval or direction of an ET NARM Methodology, to prepare the asset data systems required to support the ET NARM Methodology which is being developed in accordance with paragraph 9.2.27; and
 - (b) ensure that all asset data systems required to support the approved or directed ET NARM Methodology are established and operational no later than 12 weeks beginning from the first day after the day of the Authority's approval of the ET NARM Methodology under paragraph 9.2.30 or the Authority's direction of the ET NARM Methodology under paragraph 9.2.32.

Part H: Authority approval, modification or direction of the ET NARM Methodology

- 9.2.30 Where the ET NARM Methodology has been submitted to the Authority under paragraph 9.2.27 (b), the Authority, after consulting the licensee and all other Transmission Owners, may:
- (a) approve that methodology without modification if satisfied that it complies with the provisions set out in paragraph 9.2.28; or
 - (b) direct the licensee and the other Transmission Owners to modify that methodology, in such manner, to such extent, and with effect from such date as may be specified in the direction, so that it will, in the Authority's opinion, comply with the provisions set out in paragraph 9.2.28, having notified the Transmission Owners of its intention to make such direction.
- 9.2.31 Where the ET NARM Methodology has not been submitted to the Authority under paragraph 9.2.27 (b), or if the Authority is not satisfied that any methodology duly submitted within that deadline is capable of being modified to comply with the provisions of paragraph 9.2.28, the Authority may direct that the licensee complies with an ET NARM Methodology that in the Authority's opinion complies with those provisions.
- 9.2.32 Before issuing a direction under paragraph 9.2.30 or paragraph 9.2.31, the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the date on which the Authority intends the proposed direction to come into effect;
 - (c) the reasons why it proposes to issue the direction; and
 - (d) a period during which representations may be made on the proposed direction, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

Part I: Steps towards implementation of the ET NARM Methodology in the subsequent price control period

- 9.2.33 The licensee must:
- (a) collect asset condition data for each individual asset included within the ET NARM Methodology when the supporting asset data systems have come into effect; and
 - (b) develop and maintain its own methodology for implementation of the ET NARM Methodology using its own asset information.

Special Condition 9.3 Price Control Deliverable assessment principles and reporting requirements

Introduction

- 9.3.1 The purpose of this condition is to set out the assessment principles the Authority will apply in deciding whether to make a direction where an Evaluative PCD has not been Fully Delivered and in deciding the contents of such a direction.
- 9.3.2 This condition requires the licensee to report to the Authority on the delivery of its Evaluative PCDs and provides for the issuing and amending of the PCD Reporting Requirements and Methodology Document.

Part A: Evaluative PCD assessment principles

- 9.3.3 In deciding whether to make a direction under this condition and in deciding the contents of such a direction, the Authority will apply the following assessment principles:
- (a) where an output is Fully Delivered With An Alternative Specification and the licensee demonstrates that any underspend against the associated allowances is attributable to Efficiency or Innovation, the Authority will not make any adjustment to the associated allowance;
 - (b) where an output is Fully Delivered With An Alternative Specification, and:
 - i. the licensee demonstrates that any overspend against the associated allowances was efficiently incurred; and
 - ii. the Authority is satisfied that the licensee has demonstrated the proportion of increased Consumer Outcome associated with the work delivered,the Authority may direct an upwards adjustment to the associated allowance. The Authority may direct an adjustment of any value between 0 and the Authority's view of efficiently incurred overspend that delivers the increased Consumer Outcome. 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;
 - (c) where an output is Not Delivered, the Authority may direct a reduction to the associated allowance up to the total amount of the allowance, save that the Authority will allow the licensee the costs of undertaking reasonable and necessary work until the decision to not deliver the output, where the licensee demonstrates that such costs were reasonable, necessary, incurred efficiently and not otherwise funded by the special conditions of this licence;
 - (d) where an output is Delayed, the Authority may direct a re-profiling of the associated allowance to match the profile of the actual delivery of work or expenditure, where re-profiling would have a material impact on allowances;

- (e) where the output is Partially Delivered or Partially Delivered With Alternative Specification, and:
- i. the licensee demonstrates that any underspend against the associated allowances are attributable to Efficiency or Innovation; and
 - ii. the Authority is satisfied that the licensee has demonstrated the proportion of the output or Consumer Outcome associated with the work delivered,

the Authority may direct a downwards adjustment to the associated allowances only in accordance with the following formula:

$$\text{Adjustment to allowances} = ((1 - \text{proportion of output or Consumer Outcome delivered}) * \text{associated allowance})$$

- (f) where none of the circumstances described in sub-paragraphs 9.3.3 (a) to (e) apply, the Authority may direct an adjustment to the associated allowances such as to allow only the efficient costs of any work carried out that contributes to the delivery of the output. When deciding on the value of any such adjustment, the Authority will:
- i. have due regard to the particular characteristics of the output;
 - ii. have due regard to any factors that are outside of the licensee's control and that may have affected the ability of the licensee to have Fully Delivered the output; and
 - iii. establish efficient costs using the following methods:
 - (A) where these are available, using benchmarking against historical cost data; or
 - (B) where historical cost data is not available, using bespoke engineering and cost assessment, employing qualitative techniques to supplement technical methods;
- (g) 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);
- (h) any adjustment to an associated allowance will proportion that allowance to Regulatory Years in accordance with the profile of actual expenditure reported by the licensee; and
- (i) the split between fast money and the RAV for any adjustments will be as set out in the ET3 Price Control Financial Model.

Part B: Reporting requirement

- 9.3.4 The licensee must by 31 July of each Regulatory Year, or such later date directed by the Authority, send to the Authority a Basic PCD Report on each Evaluative PCD for which the delivery date specified in the relevant licence condition was in the previous Regulatory Year.
- 9.3.5 On receipt of a Basic PCD Report, the Authority will decide whether to direct the licensee to submit to it a Full PCD Report.

- 9.3.6 The Authority will not direct the submission of a Full PCD Report where the Basic PCD Report demonstrates that the output has been Fully Delivered.
- 9.3.7 Where directed to do so by the Authority the licensee must send to the Authority a Full PCD Report.
- 9.3.8 The Authority will use the Basic PCD Report, Full PCD Report, responses to supplementary questions and any other relevant information to decide the delivery status of the outputs for the purposes of Part A in accordance with the definitions of those terms in Special Condition 1.1 (Interpretation and definitions). The Authority may decide to assign more than one delivery status to any output.

Part C: PCD Reporting Requirements and Methodology Document

- 9.3.9 The licensee must comply with the PCD Reporting Requirements and Methodology Document when preparing a report required by Part B.
- 9.3.10 The Authority will issue and amend the PCD Reporting Requirements and Methodology Document by direction.
- 9.3.11 The Authority will publish the PCD Reporting Requirements and Methodology Document on the Authority's Website.
- 9.3.12 The PCD Reporting Requirements and Methodology Document will set out:
 - (a) how the licensee must prepare the reports required by Part B; and
 - (b) further guidance about, and worked examples of, the methodology the Authority will use when deciding:
 - i. whether to direct a value to reduce allowances for Price Control Deliverables that have not been Fully Delivered; and
 - ii. the value to direct.
- 9.3.13 Before issuing the PCD Reporting Requirements and Methodology Document by direction, the Authority will publish on the Authority's Website:
 - (a) the text of the proposed PCD Reporting Requirements and Methodology Document;
 - (b) the date on which the Authority intends the PCD Reporting Requirements and Methodology Document to come into effect; and
 - (c) a period during which representations may be made on the content of the PCD Reporting Requirements and Methodology Document, which will be up to 28 days unless the Authority determines that a longer period is appropriate.
- 9.3.14 Before amending the PCD Reporting Requirements and Methodology Document by direction, the Authority will publish on the Authority's Website:
 - (a) the text of the amended PCD Reporting Requirements and Methodology Document;

- (b) the date on which the Authority intends the amended PCD Reporting Requirements and Methodology Document to come into effect;
- (c) the reasons for the amendments to the PCD Reporting Requirements and Methodology Document; and
- (d) a period during which representations may be made on the amendments to the PCD Reporting Requirements and Methodology Document, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

Special Condition 9.4 Re-opener Guidance and Application Requirements Document

Introduction

- 9.4.1 The purpose of this condition is to require the licensee to prepare any applications for re-openers in accordance with the Re-opener Guidance and Application Requirements Document.
- 9.4.2 This condition also explains the process the Authority will follow in issuing and amending the Re-opener Guidance and Application Requirements Document.

Part A: Requirement to comply with the Re-opener Guidance and Application Requirements Document

- 9.4.3 The licensee must prepare any applications for re-openers in accordance with the applicable provisions of the Re-opener Guidance and Application Requirements Document.

Part B: Re-opener Guidance and Application Requirements Document

- 9.4.4 The Authority will issue and amend the Re-opener Guidance and Application Requirements Document by direction.
- 9.4.5 The Authority will publish the Re-opener Guidance and Application Requirements Document on the Authority's Website.
- 9.4.6 The Re-opener Guidance and Application Requirements Document:
 - (a) may provide guidance on the process to be followed by the licensee and the Authority in relation to:
 - i. establishing a re-opener application pipeline log for prospective applications;
 - ii. pre-application engagement between the licensee and the Authority;
 - iii. pre-acceptance screening of applications;
 - iv. a process for supplementary questions;
 - v. a proportionate approach to using assessment tiers with differing levels of scrutiny for individual applications; and
 - vi. how the Authority would instigate a re-opener; and

- (b) will set out how the licensee must prepare its applications for re-openers, including the following:
 - i. the re-openers to which the document applies;
 - ii. the level of detail required in the application;
 - iii. any requirement to publish the application; and
 - iv. when it is appropriate to make redactions in published applications.
- 9.4.7 Before issuing the Re-opener Guidance and Application Requirements Document by direction, the Authority will publish on the Authority's Website:
 - (a) the text of the proposed Re-opener Guidance and Application Requirements Document;
 - (b) the date on which the Authority intends the Re-opener Guidance and Application Requirements Document to come into effect; and
 - (c) a period during which representations may be made on the content of the Re-opener Guidance and Application Requirements Document, which will be up to 28 days unless the Authority determines that a longer period is appropriate.
- 9.4.8 Before amending the Re-opener Guidance and Application Requirements Document by direction, the Authority will publish on the Authority's Website:
 - (a) the text of the amended Re-opener Guidance and Application Requirements Document;
 - (b) the date on which the Authority intends the amended Re-opener Guidance and Application Requirements Document to come into effect;
 - (c) the reasons for the amendments to the Re-opener Guidance and Application Requirements Document; and
 - (d) a period during which representations may be made on the amendments to the Re-opener Guidance and Application Requirements Document, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

Special Condition 9.5 Digitalisation

Introduction

- 9.5.1 The purpose of this condition is to set out the licensee's obligations to:
 - (a) have a Digitalisation Strategy;
 - (b) have a Digitalisation Action Plan;
 - (c) update its Digitalisation Strategy and its Digitalisation Action Plan;
 - (d) comply with DSAP Guidance; and
 - (e) comply with Data Best Practice Guidance.
- 9.5.2 This condition also sets out the process that the Authority will follow when issuing and amending DSAP Guidance and Data Best Practice Guidance.

Part A: Requirements of the Digitalisation Strategy

- 9.5.3 The licensee must publish its Digitalisation Strategy on, or before, 31 March 2028.
- 9.5.4 The licensee must review the progress it has made against its Digitalisation Strategy, and update its Digitalisation Strategy at least once every 2 years after 31 March 2028.
- 9.5.5 The licensee must:
- (a) publish its Digitalisation Strategy, and updates to its Digitalisation Strategy, on the licensee's website where they are readily accessible to the public;
 - (b) maintain an archive of all published versions of its Digitalisation Strategy on the licensee's website where they are readily accessible to the public; and
 - (c) notify the Authority of any updates to the Digitalisation Strategy.

Part B: Requirements of the Digitalisation Action Plan

- 9.5.6 The licensee must publish its Digitalisation Action Plan on, or before, 30 June 2026.
- 9.5.7 The licensee must review the progress it has made against and update its Digitalisation Action Plan at least once every 6 months after 30 June 2026.
- 9.5.8 The licensee must:
- (a) publish its Digitalisation Action Plan, and updates to its Digitalisation Action Plan, on the licensee's website where they are readily accessible to the public;
 - (b) maintain an archive of all published versions of its Digitalisation Action Plan on the licensee's website where they are readily accessible to the public; and
 - (c) notify the Authority of any updates to the Digitalisation Action Plan.

Part C: DSAP Guidance

- 9.5.9 The licensee must comply with the DSAP Guidance when:
- (a) preparing and updating its Digitalisation Strategy; and
 - (b) preparing and updating its Digitalisation Action Plan.
- 9.5.10 The Authority will issue and amend the DSAP Guidance by direction.
- 9.5.11 The Authority will publish the DSAP Guidance on the Authority's Website.
- 9.5.12 The DSAP Guidance will make provision about:
- (a) how the licensee should work towards digitalisation;
 - (b) how the licensee should set out in its Digitalisation Strategy and Digitalisation Action Plan how it intends to use Energy System Data to

- generate benefits for consumers and stakeholders and the specific actions it will take to achieve that outcome;
- (c) the form and content of the Digitalisation Strategy and the Digitalisation Action Plan, including:
 - i. the structure, content and level of detail of each;
 - ii. the types of activities that should be covered in each; and
 - iii. any required information associated with those activities; and
 - (d) the engagement the licensee is required to undertake with stakeholders to help inform the development of its Digitalisation Strategy and its Digitalisation Action Plan.

Part D: Requirement to employ data best practice

- 9.5.13 The licensee must, when conducting work that involves working with or making decisions about the use of Energy System Data, use its best endeavours to act in accordance with Data Best Practice Guidance.
- 9.5.14 The Authority will issue and amend Data Best Practice Guidance by direction.
- 9.5.15 The Authority will publish Data Best Practice Guidance on the Authority's Website.
- 9.5.16 Data Best Practice Guidance will make provision about how the Authority expects the licensee to comply with data best practice to generate benefits for consumers and stakeholders, including but not limited to ensuring services that involve Energy System Data are designed to meet the needs of consumers and those who directly use the services.

Part E: Process for issuing and amending guidance

- 9.5.17 Before issuing DSAP Guidance or Data Best Practice Guidance by direction, the Authority will publish on the Authority's Website:
 - (a) the text of the proposed guidance;
 - (b) the date on which the Authority intends the guidance to come into effect; and
 - (c) a period during which representations may be made on the content of the guidance, which will be up to 28 days unless the Authority determines that a longer period is appropriate.
- 9.5.18 Before amending DSAP Guidance or Data Best Practice Guidance by direction, the Authority will publish on the Authority's Website:
 - (a) the text of the amended guidance;
 - (b) the date on which the Authority intends the amended guidance to come into effect;
 - (c) the reasons for the amendments to the guidance; and

- (d) a period during which representations may be made on the amendments to the guidance, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

Special Condition 9.6 Disapplication of Relevant Special Conditions

Introduction

- 9.6.1 The purpose of this condition is to enable the licensee to make a formal request for the disapplication of the Relevant Special Conditions (in whole or in part) and for such provisions to be disapplied following a request in the circumstances specified.

Part A: Procedure for making a Disapplication Request

- 9.6.2 The licensee may submit a Disapplication Request in writing to the Authority.
- 9.6.3 A Disapplication Request must:
 - (a) specify to which of the Relevant Special Conditions (or any part or parts of them) the request relates;
 - (b) provide a full statement of the licensee's reasons for making the request;
 - (c) contain such other information or analysis as the licensee considers sufficient to enable the Authority to fully assess the Disapplication Request; and
 - (d) state the Disapplication Date that the licensee proposes (which must not be earlier than the appropriate date mentioned in Part B).
- 9.6.4 A Disapplication Request may be submitted only in respect of a specified geographical area.
- 9.6.5 The Authority may, during the period of 28 days beginning with the date of receipt of a Disapplication Request, give notice to the licensee:
 - (a) specifying further information or analysis that the Authority reasonably considers is required in order to fully assess the Disapplication Request; and
 - (b) requesting the licensee to provide that information or analysis.
- 9.6.6 The licensee may withdraw a Disapplication Request at any time.

Part B: Date from which a disapplication may take effect

- 9.6.7 The Disapplication Date specified in a Disapplication Request must be after the period of 18 months beginning with the date of the submission of the Disapplication Request, unless the Authority consents in writing to an earlier date.
- 9.6.8 If paragraph 9.6.5 applies, a Disapplication Request will be treated as submitted when that further information or analysis is received by the Authority and, in consequence the Disapplication Date set out in the Disapplication Request no

longer complies with paragraph 9.6.7, the Disapplication Date will be treated as being the earliest date that would comply with that paragraph.

Part C: Licensee's right to terminate under a Disapplication Request

9.6.9 If the licensee has submitted to the Authority a Disapplication Request that complies with the requirements of Parts A and B, it may subsequently give the Authority a Disapplication Notice:

- (a) in the circumstances described in Part D; or
- (b) in the circumstances described in Part E.

9.6.10 In either case the Disapplication Notice may not take effect before the Disapplication Date or such earlier date to which the Authority may have consented under Part B.

Part D: Termination without involvement of the Competition and Markets Authority

9.6.11 The circumstances referred to in paragraph 9.6.9(a) are that by the beginning of the period of six months ending with the Disapplication Date, the Authority has not in response to the Disapplication Request published a decision under section 11A(7) of the Act to modify:

- (a) the Relevant Special Conditions (or any part or parts of them) to which the Disapplication Request applies; or
- (b) this Condition so as to remove the licensee's right to give the Authority a Disapplication Notice in respect of the relevant Disapplication Request.

Part E: Termination after involvement of the Competition and Markets Authority

9.6.12 The circumstances referred to in paragraph 9.6.9(b) are that the Authority has published a decision as described in paragraph 9.6.11(a) or 9.6.11(b) and:

- (a) the licensee has exercised its right to appeal to the Competition and Markets Authority against that decision of the Authority as provided for by section 11C of the Act;
- (b) the Competition and Markets Authority, acting under section 11F of the Act, has, in respect of the provision to which the Disapplication Notice relates:
- (c) quashed the Authority's decision, and
- (d) neither remitted the matter back to the Authority under section 11F(2)(b) of the Act nor substituted its own decision for that of the Authority's under section 11F(2)(c) of the Act; and
- (e) no more than 30 days have elapsed since the date on which the Competition and Markets Authority quashed the decision in the circumstances described in paragraph 9.6.12(b)(i).

Special Condition 9.7 Directly Remunerated Services

Introduction

- 9.7.1 The purpose of this condition is to set out the basis on which services provided by the licensee will be treated as Directly Remunerated Services under the special conditions.
- 9.7.2 The effect of this condition is that revenue derived by the licensee from the provision of Directly Remunerated Services is excluded from the calculation of Allowed Revenue.
- 9.7.3 This condition also explains the process that the Authority will follow when directing that services provided by the licensee should be treated, or should not be treated, as Directly Remunerated Services.

Part A: Licensee's obligation to exclude Directly Remunerated Services

- 9.7.4 The licensee must exclude revenue derived from Directly Remunerated Services from Allowed Revenue.
- 9.7.5 Directly Remunerated Services are:
 - (a) services that comply with the general principle set out in Part B; or
 - (b) the services listed in Part C to the extent that they comply with the general principle in Part B; or
 - (c) services that the Authority directs are to be treated as Directly Remunerated Services to the extent that such direction will comply with the general principle in Part B.
- 9.7.6 Services are not to be treated as Directly Remunerated Services if the Authority so directs to the extent that such direction will comply with the general principle in Part B.

Part B: Statement of general principle

- 9.7.7 The general principle is that a service provided by the licensee as part of its Licensed Activity is to be treated as a Directly Remunerated Service if and to the extent that the service is not already remunerated under any of the charges listed in paragraph 9.7.8.
- 9.7.8 The charges referred to in paragraph 9.7.7 are Network Charges, under the provisions of Special Condition 2.1 (Revenue restriction).

Part C: Categories of Directly Remunerated Services

- 9.7.9 The descriptions of categories of Directly Remunerated Services set out at paragraph 9.7.10 are to be read and given effect subject to any further explanation or elaboration of any of those descriptions that might be set out in the RIGs.
- 9.7.10 Directly Remunerated Services will include the following services:

- (a) DRS1. Connection services: This category consists of the carrying out of works (including any necessary reinforcement works or diversionary works) to install, operate, repair, or maintain electric lines, electrical plant, or meters necessary to provide any new connection or modify any existing connection to the licensee's Transmission System, (but only to the extent that the service is not already remunerated under one of the charges set out at paragraph 9.7.8).
- (b) DRS2. Diversionary works under an obligation: This category consists of the relocating of any electric line or electrical plant (including the carrying out of any associated works) pursuant to any statutory obligation other than one imposed on the licensee under section 9(2) (General duties of licence holders) of the Act, where the statutory obligation makes provision for the reimbursement of the costs incurred.
- (c) DRS3. Works required by any alteration of premises: This category consists of the moving of any electric line or electrical plant that forms part of the licensee's Transmission System to accommodate the extension, redesign, or redevelopment of any premises on which the asset in question is located or to which it is connected.
- (d) DRS4. Telecommunications and information technology infrastructure services: This category consists of allowing the use of any electric line or electrical plant that forms part of the licensee's Transmission System to carry, either directly or indirectly (including by the incorporation of third party equipment), electronic information and data.
- (e) DRS5. Outage Changes: The net costs reasonably incurred by the licensee as a result of any Outage Change as reimbursed by the ISOP.
- (f) DRS6. Emergency Services: (Not applicable to Electricity Transmission)
- (g) DRS7. PARCA Activities: (Not applicable to Electricity Transmission)
- (h) DRS8. Independent System Operation: (Not applicable to Electricity Transmission)
- (i) DRS9. Value Added Services: (Not applicable to Electricity Transmission)
- (j) DRS10. Top-up, standby, and enhanced system security: (Not applicable to Electricity Transmission)
- (k) DRS11. Revenue protection services: (Not applicable to Electricity Transmission)
- (l) DRS12. Metering Services: (Not applicable to Electricity Transmission)
- (m) DRS13. Smart Meter Roll-out rechargeable services: (Not applicable to Electricity Transmission)
- (n) DRS14. Miscellaneous: This category consists of the provision of any other service (including the provision of electric lines or electrical plant) that:
 - i. is for the specific benefit of any third party who requests it; and
 - ii. is not made available by the licensee as a normal part of the activities of its Transmission Owner Activity.

Part D: Procedure for issuing directions

- 9.7.11 Before issuing a direction under Part A the Authority will have regard to the general principle in Part B.
- 9.7.12 Any direction that the Authority issues under Part A will set out the date on which the licensee must start or cease treating services as Directly Remunerated Services.
- 9.7.13 Before issuing a direction under Part A, the Authority will publish on the Authority's website:
- (a) The text of the proposed direction;
 - (b) the reasons why it proposes to issue the direction; and
 - (c) a period during which representations may be made on the proposed direction, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

Special Condition 9.8 Tax Reconciliation assurance statement

Introduction

- 9.8.1 This condition requires the licensee to submit to the Authority an annual Tax Reconciliation assurance statement and sets out the form of that statement.

Part A: Assurance Statement

- 9.8.2 The licensee must by 30 September of each Regulatory Year submit to the Authority a Tax Reconciliation assurance statement relating to Regulatory Year t-2 that:
- (a) has been approved by resolution of the licensee's board of directors;
 - (b) is signed by a director of the licensee pursuant to the resolution in sub-paragraph (a); and,
 - (c) is set out in the form prescribed in paragraph 9.8.3 or, where paragraph 9.8.4 applies, in the form prescribed in paragraph 9.8.5.
- 9.8.3 The prescribed form for the Tax Reconciliation assurance statement is as follows:
- "In accordance with the requirements of paragraph 9.8.2 of Special Condition 9.8 (Tax Reconciliation assurance statement), the directors of [licensee] ("the licensee") hereby certify that for the Regulatory Year [Regulatory Year t-2]:
- (a) in their opinion, the values reported in the Tax Reconciliation have not resulted in a material, unexplained variance in the reconciliation of the licensee's Actual Corporation Tax Liability (as shown in the licensee's Company Tax Return (CT600)) to the Calculated Tax Allowance;
 - (b) the Tax Reconciliation will, by 30 September [Regulatory Year t], be submitted to the Authority along with a copy of the following documents:

- i. the licensee's most recent CT600 as submitted to His Majesty's Revenue and Customs for the Regulatory Year [Regulatory Year t-2];
 - ii. the licensee's most recently submitted Senior Accounting Officer certificate (SAO2), which covers the Regulatory Year [Regulatory Year t-2];
 - iii. the licensee's previously published Tax Strategy which covers the Regulatory Year [Regulatory Year t-2]; and
 - iv. any notifications of uncertain tax treatments relating to the corporation tax affairs of the licensee arising under Schedule 17 Finance Act 2022 which cover the Regulatory Year [Regulatory Year t-2].
- (c) where appropriate, further information has been provided to support and explain reconciling items in accordance with the Regulatory Financial Performance Reporting RIGS;
- (d) all adjustments made have been appropriately explained in the Tax Reconciliation supporting commentary; and
- (e) reconciling differences have been appropriately explained and any remaining, unexplained differences are considered immaterial, in aggregate."

9.8.4 Where the licensee anticipates a material, unexplained variance to arise in the Tax Reconciliation as described in Chapter 6 of the ET3 Price Control Financial Handbook, the prescribed form for the Tax Reconciliation assurance statement is set out in paragraph 9.8.5.

9.8.5 Where this paragraph applies, the prescribed form of the Tax Reconciliation assurance statement is as follows:

"In accordance with the requirements of paragraph 9.8.2 of Special Condition 9.8 (Tax Reconciliation assurance statement), the Directors of [licensee] ("the licensee") hereby certify that for the Regulatory Year [Regulatory Year t-2]:

- (a) in their opinion, the values reported in the Tax Reconciliation have resulted in a material, unexplained variance in the reconciliation of the licensee's Actual Corporation Tax Liability as shown in the Company Tax Return (CT600) to the Calculated Tax Allowance;
- (b) the Tax Reconciliation will, by 30 September [Regulatory Year t], be submitted to the Authority along with a copy of the following documents:
- (c) the licensee's most recent CT600 as submitted to His Majesty's Revenue and Customs for the Regulatory Year [Regulatory Year t-2];
- (d) the licensee's most recently submitted Senior Accounting Officer certificate (SAO2), which covers the Regulatory Year [Regulatory Year t-2];
- (e) the licensee's previously published Tax Strategy which covers the Regulatory Year [Regulatory Year t-2]; and
- (f) any notifications of uncertain tax treatments relating to the corporation tax affairs of the licensee arising under Schedule 17 Finance Act 2022 which cover the Regulatory Year [Regulatory Year t-2].

- (g) where appropriate, further information has been provided to support and explain reconciling items in accordance with the [RIIO-3 Regulatory Financial Performance Reporting RIGs];
- (h) all adjustments made have been appropriately explained in the Tax Reconciliation supporting commentary, however there remain unexplained differences, which are considered material; and
- (i) a notification has been given in writing to the Authority under Chapter 6 of the ET3 Price Control Financial Handbook."

Special Condition 9.9 Activities Restrictions

Introduction

- 9.9.1 The purpose of this condition is to set out, in accordance with section 7(2A)(a) of the Act, activity restrictions on the licensee.

Part A: Activity Restrictions

- 9.9.2 Subject to the provisions of paragraph 9.9.3 (which are made in accordance with section 7(2A)(a) of the Act), the licensee is authorised by paragraph 1 of Part I (Terms of the Licence) to participate in the transmission of electricity for the purpose of giving a supply to any premises or enabling a supply to be so given.
- 9.9.3 The licensee must not, outside its Transmission Area, obtain or obtain access to any assets comprising part of the National Electricity Transmission System which are intended for the purpose of conveying electricity except:
- (a) from another Transmission Licensee; or
 - (b) where the Authority has issued a direction to the licensee pursuant to paragraph 2 of Standard Condition B18 (Offshore Transmission Owner of Last Resort) insofar as it relates to the transmission system specified in that direction.

Special Condition 9.10 Network Access Policy

Introduction

- 9.10.1 This condition requires the licensee to publish and act consistently with the Network Access Policy designed to facilitate efficient performance and effective liaison between the ISOP and Transmission Owners in relation to the planning, management, and operation of the National Electricity Transmission System for the benefit of consumers and network Users.

Part A: Network Access Policy

- 9.10.2 The licensee, together with the other Transmission Owners, must have in place a Network Access Policy approved by the Authority.
- 9.10.3 The licensee must incorporate the Network Access Policy into its planning and operations as part of its Licensed Activity.

- 9.10.4 The licensee must act consistently with the Network Access Policy, subject to the need to ensure the safe and secure operation of the National Electricity Transmission System as a whole or any part of it.
- 9.10.5 The Network Access Policy must include:
- (a) details of the actions that the licensee will take to coordinate with the ISOP and, if appropriate, the other Transmission Owners to ensure that planned network outage arrangements are agreed with due consideration of the long-term outcomes for consumers and network Users;
 - (b) details of the actions that the licensee will take for the purposes of responding to and managing unplanned network outages with a view to minimising its contribution to network constraints, subject to the need to ensure the safe and secure operation of the National Electricity Transmission System as a whole or any part of it;
 - (c) details of the types of circumstances that are likely to require an alternative approach to that set out in relation to paragraphs 9.10.5(a) and (b); and
 - (d) a description of the licensee's communication and coordination strategy for interacting with the ISOP, other Transmission Owners, and Users.

Part B: Revisions to the Network Access Policy

- 9.10.6 The licensee, together with the other Transmission Owners, must from time to time and at least once in every period of two Regulatory Years, review the Network Access Policy and propose such revisions as may be necessary in order to ensure that the information contained in the policy continues to be accurate and consistent with this condition.
- 9.10.7 Before revising the Network Access Policy the licensee, together with the other Transmission Owners, must submit to the Authority, the ISOP and, if appropriate, to any other relevant Transmission Licensees:
- (a) a copy of the proposed revisions;
 - (b) an explanation of the reasons for the proposed revisions; and
 - (c) such detailed supporting evidence as the licensee considers will assist the Authority in its consideration of the proposed revisions.
- 9.10.8 The Authority will:
- (a) approve the proposed revisions;
 - (b) reject the proposed revisions; or
 - (c) reject the proposed revisions and give recommendations as to alternative revisions that it considers should be made.
- 9.10.9 Before taking any action under paragraph 9. 10.8, the Authority will consult the Transmission Owners, the ISOP and such other interested parties as it considers appropriate.

Part C: Availability of the Network Access Policy

- 9.10.10 The licensee must ensure that the Network Access Policy is readily accessible to the public from the licensee's website.
- 9.10.11 If the Authority approves a revision to the Network Access Policy, the licensee must ensure that the Network Access Policy made available under paragraph 9.10.10 is updated during the period of ten Working Days beginning with the date of the approval.

Special Condition 9.11 Provision of information to the ISOP

Introduction

- 9.11.1 The purpose of this condition is to require the licensee to notify the ISOP of the revenue to be collected via Network Charges.

Part A: Statement of the $TNGET_t$ value

- 9.11.2 On or before the 5th business day in October and 7 January of the Regulatory Year $t-1$, the licensee must notify the ISOP of its best estimate for the $TNGET_t$ term.
- 9.11.3 $TNGET_t$ means an amount no more than AR_t as calculated in accordance with Special Condition 2.1 (Revenue restriction) Part C.
- 9.11.4 The licensee must keep under review the estimates notified to the ISOP pursuant to paragraph 9.11.2 and, if at any time, the licensee reasonably considers that the value of $TNGET_t$, notified to the ISOP will be significantly different to the estimates previously notified to the ISOP, the licensee must notify the ISOP of the updated value for $TNGET_t$ as soon as reasonably practicable.
- 9.11.5 By 30 April of each Regulatory Year t , the licensee must provide the Authority with a statement showing the following:
- (a) the value of $TNGET_t$ notified to the ISOP in the Regulatory Year $t-1$;
 - (b) the aggregate amount of the licensee's connection charges in Regulatory Year $t-1$ which are not remunerated under Special Condition 2.1 (Revenue restriction); and
 - (c) the aggregate amount of the licensee's charges in Regulatory Year $t-1$ in respect of Outage Charges.

Special Condition 9.12 Basis of Transmission Owner Charges

Introduction

- 9.12.1 The purpose of this condition is to require the licensee to prepare and have in place a Statement of Transmission Owner Charges.

Part A: Statement of Transmission Owner Charges

9.12.2 The licensee must have in place a Statement of Transmission Owner Charges approved by the Authority.

9.12.3 The Statement of Transmission Owner Charges must include:

(a) a schedule listing;

- i. items of significant cost required for connection (at entry or exit points) to the licensee's Transmission System;
- ii. items for which site specific charges may be made or levied; and
- iii. indicative charges or, where not practicable, an explanation of the methods by which and the principles in accordance with which the charges will be calculated;

(b) the methods by which and the principles in accordance with which:

- i. site specific charges will be made in circumstances where the electric lines or electrical plant to be installed are (at the licensee's discretion) of greater size or capacity than that required;
- ii. any charges (including any capitalised charge) will be made for maintenance, replacement and repair required of electric lines, electrical plant or meters provided and installed for making a connection to the licensee's Transmission System; and
- iii. any charges will be made for disconnection from the licensee's Transmission System and the removal of electrical plant, electric lines and ancillary meters following disconnection; and

(c) such other matters as are specified in directions issued by the Authority from time to time for the purpose of this condition.

9.12.4 The licensee must set site specific charges for those items referred to in paragraph 9.12.3 at a level that will enable the licensee to recover:

(a) the appropriate proportion of the costs directly or indirectly incurred in carrying out any works for the extension or reinforcement of the licensee's Transmission System or the provision and installation, maintenance, replacement and repair or (as the case may be) removal following disconnection of any electric lines, electrical plant, meters or other items; and

(b) a reasonable rate of return on the capital represented by such costs.

Part B: Revisions to the Statement of Transmission Owner Charges

9.12.5 The licensee must at least once in every Regulatory Year, review and propose such revisions to the Statement of Transmission Owner Charges as may be necessary in order to ensure that it continues to be accurate.

9.12.6 The Authority may direct the licensee to modify the Statement of Transmission Owner Charges in such manner, to such extent, and with effect from such time as may be specified in that direction.

- 9.12.7 Before revising the Statement of Transmission Owner Charges, under paragraph 9.12.5, the licensee must provide a copy of the proposed revisions to the Authority.
- 9.12.8 The Authority will:
- (a) approve the proposed revisions;
 - (b) reject the proposed revisions; or
 - (c) reject the proposed revisions and give recommendations as to alternative revisions that it considers should be made.
- 9.12.9 The licensee must give or send a copy of the Statement of Transmission Owner Charges, including any revision in such form and manner as the Authority may direct, to any person who requests a copy of such statement or statements.
- 9.12.10 The licensee may make a charge for any statement given or sent pursuant to paragraph 9.12.9 of an amount reflecting the licensee's reasonable costs of providing the statement, which must not exceed the maximum amount specified by the Authority by direction for the purposes of this condition.

Special Condition 9.13 Allowances in respect of a Security Period

Introduction

- 9.13.1 The purpose of this condition is to set out the process for the licensee to recover Allowed Security Costs in the event of a Security Period.

Part A: Process for the recovery of Security Costs

- 9.13.2 At any time during a Security Period, the licensee may give notice in writing to the Authority suspending, with effect from the date the notice is received by the Authority, application of the Relevant Special Conditions specified in the notice, for the remaining duration of the Security Period.
- 9.13.3 At any time during a Security Period, the Authority may by direction, enable the licensee to recover by means of an appropriate equitable increase on all of the charges made in the course of the licensee's Transmission Business an amount estimated as being equal to the licensee's Allowed Security Costs during the Security Period.
- 9.13.4 The direction will set out for the remaining duration of the Security Period any:
- (a) Relevant Special Conditions which are suspended or modified; or
 - (b) new special conditions.
- 9.13.5 Subject to paragraphs 9.13.6 and 9.13.8, the licensee may in any Regulatory Year recover an aggregate amount equal to its Allowed Security Costs in that year or (in so far as not previously recovered) in any previous year, by means of appropriate equitable increases on all of the charges made by the licensee in the course of the Transmission Business.

- 9.13.6 Paragraph 9.13.5 does not apply in so far as such Allowed Security Costs were:
- (a) otherwise recovered by the licensee; or
 - (b) taken into account by the Authority in setting the special conditions by means of a direction issued under paragraph 9.13.3 of this condition.
- 9.13.7 Following the end of each Regulatory Year the licensee must provide the Authority with details in respect of that Regulatory Year of:
- (a) the licensee's estimate of Allowed Security Costs;
 - (b) the aggregate amounts charged under paragraph 9.13.5 of this condition on account of the licensee's Allowed Security Costs; and
 - (c) the basis and calculations underlying the increases in charges made by the licensee in the course of its Transmission Business.
- 9.13.8 Where the Authority is satisfied that the licensee has recovered amounts in excess of the Allowed Security Costs, the Authority may direct the licensee to take such steps as may be specified to reimburse its customers for excess amounts charged.
- 9.13.9 No amounts charged by the licensee under this condition (whether or not subsequently required to be reimbursed) will be taken into account for the purpose of applying the provisions of Special Condition 2.1 (Revenue restriction).

Special Condition 9.14 Not Used

Special Condition 9.15 Not Used

Special Condition 9.16 Not Used

Special Condition 9.17 Prohibited activities and conduct of the Transmission Business

Introduction

- 9.17.1 The purpose of this condition is to set out the prohibited activities of the licensee and conduct of the Transmission Business.

Part A: Prohibited Activities

- 9.17.2 Unless the Authority otherwise directs, the licensee, and any subsidiary of the licensee, must not hold, or seek to hold, a Transmission Licence that has Section E (Offshore Transmission Owner Standard Conditions) in effect.

Part B: Conduct of the Transmission Business

- 9.17.3 The licensee, and the relevant parties listed in paragraph 9.17.5, must not obtain an Unfair Commercial Advantage.
- 9.17.4 Not used.

9.17.5 The relevant parties are:

- (a) any Affiliate or Related Undertaking of the licensee that is a subsidiary of, or is controlled by an ultimate controller of, the licensee, including those:
 - i. intending to participate in a competitive tender exercise to determine a person to whom an Offshore Transmission Licence is to be granted; or
 - ii. participating in a competitive tender exercise to determine a person to whom an Offshore Transmission Licence is to be granted;
- (b) any User of the National Electricity Transmission System; and
- (c) any other Transmission Licensee.

Special Condition 9.18 Business separation requirements and compliance obligations

Introduction

- 9.18.1 The purpose of this condition is to set out the business separation requirements between the licensee and the Relevant Other Competitive Businesses, and the process the licensee must follow to comply with these requirements.
- 9.18.2 Part A sets out the business separation requirements between the licensee and the Relevant Other Competitive Businesses.
- 9.18.3 Part B sets out the Compliance Statement the licensee must publish to describe how it is meeting its Specified Duties.
- 9.18.4 Part C sets out requirements on the licensee to appoint an independent compliance officer and annually report on compliance against the licensee's duties.

Part A: Legal and functional separation of the licensee and the Relevant Other Competitive Businesses

- 9.18.5 The licensee must, in carrying out its Licensed Activities, put in place and at all times maintain such systems of control and other governance arrangements as are necessary to ensure that the licensee complies with the obligations contained in Standard Condition B5 (Prohibition of cross-subsidies), Standard Condition B6 (Restriction on Activity and Financial Ring Fencing) and Special Condition 9.17 (Prohibited activities and conduct of the Transmission Business).
- 9.18.6 Without prejudice to paragraph 9.18.5 the licensee must at all times conduct its Licensed Activities separately from the Relevant Other Competitive Businesses, provided that nothing in Part A prevents the licensee from complying with any Section E (Offshore Transmission Owner of Last Resort) Direction made pursuant to Standard Condition B18 (Offshore Transmission Owner of Last Resort).
- 9.18.7 The licensee must ensure that the Relevant Other Competitive Businesses are conducted entirely by corporate entities each of which is separate from the

licensee and that the licensee does not, directly or indirectly, hold any shares or other investments:

- (a) in any corporate entity which conducts any of the Relevant Other Competitive Businesses or which exercises or otherwise has control of any of the Relevant Other Competitive Businesses or any of the assets used in or dedicated to any of the Relevant Other Competitive Businesses; or
 - (b) which give the holder an entitlement to vote at the general meetings of any of the corporate entities which conduct the Relevant Other Competitive Businesses or of any company which exercises or otherwise has control of any of the Relevant Other Competitive Businesses.
- 9.18.8 The licensee must ensure that its accounts are maintained and to the extent required by law audited and reported separately from those of any corporate entity which conducts Relevant Other Competitive Business.
- 9.18.9 The licensee must ensure that persons engaged in the management or operation of the licensee (up to and including the members of the licensee's board of directors) are not simultaneously engaged, either full or part time, in the management or operation of any Relevant Other Competitive Business or any corporate entity which conducts Relevant Other Competitive Business, other than in the provision of Shared Services provided by the licensee to its Associates and the provision of services which constitute De Minimis Business to the extent that the provision of those services by the licensee complies with the requirements of standard conditions B5 (Prohibition of cross-subsidies), B6 (Restriction on Activity and Financial Ring Fencing) and B9 (Indebtedness).
- 9.18.10 The licensee must ensure that arrangements are in place which are effective in restricting access by persons engaged in the management or operation of any of the Relevant Other Competitive Businesses to:
 - (a) any part of any premises which is occupied by persons engaged in the management or operation of the licensee; or
 - (b) any equipment, facilities or property employed for the management or operation of the licensee.
- 9.18.11 The licensee must ensure that the systems for the recording, processing or storage of data to which persons engaged in the management or operation of the licensee have access cannot be accessed by persons engaged in the management or operation of the Relevant Other Competitive Businesses.

Part B: Compliance Statement and compliance documents

9.18.12 The licensee must:

- (a) unless the Authority otherwise consents or directs, at all times comply with the terms of the approved Compliance Statement; and
- (b) at least once every 12 months, or at such other interval as the Authority may direct, review the Compliance Statement, the form of the Compliance Report and the form of the Compliance Certificate and revise them as

necessary, including when circumstances change so that the documents no longer secure compliance with the Specified Duties, to ensure that the documents continue to be complete and accurate in all material respects.

- 9.18.13 The licensee must submit any proposed revisions to the documents specified in paragraph 9.18.12(b) to the Authority.
- 9.18.14 Any revisions of the documents specified in paragraph 9.18.12(b) will only become effective once the Authority has approved them, in accordance with paragraph 9.18.15.
- 9.18.15 The Authority will:
- (a) approve the proposed revisions;
 - (b) reject the proposed revisions; or
 - (c) reject the proposed revisions and give recommendations as to alternative revisions that it considers should be made.
- 9.18.16 The licensee must publish a copy of the approved Compliance Statement and each revision of it on its website during the period of 15 Working Days beginning with the date of approval by the Authority.
- 9.18.17 The Compliance Statement must set out how the licensee is to meet:
- (a) the business separation requirements provided for in Part A, with specific reference to:
 - (b) the arrangements for managerial separation, as required in paragraph 9.18.9;
 - (c) the treatment of Shared Services across the licensee and the Relevant Other Competitive Businesses, together with a list of those services which fall under the definition of Shared Services;
 - (d) the arrangements to manage the transfer of employees between the licensee and the Relevant Other Competitive Businesses;
 - (e) the appointment of a compliance officer and compliance reporting, provided for in Part C.

Part C: Appointment of a Compliance Officer and compliance reporting

- 9.18.18 The licensee must ensure, following consultation with the Authority, that a Compliance Officer is appointed. The person appointed as the Compliance Officer pursuant to this paragraph may also hold other compliance officer roles for the licensee or its Associates licensed under the Gas Act 1986.
- 9.18.19 The licensee must appoint a Single Appointed Director to report to the board of the licensee in relation to the obligations set out in this condition.
- 9.18.20 The licensee must establish a Compliance Committee to report to the board of the licensee.
- 9.18.21 The licensee must secure that the Compliance Committee includes among its members the Single Appointed Director and such persons from within the

licensee's business as are responsible for the management of regulatory issues relating to the licence.

9.18.22 The licensee must ensure that, as might be reasonably required for the fulfilment of the duties and tasks assigned pursuant to this condition, the Compliance Officer:

- (a) is provided with such employees, premises, equipment, facilities and other resources it requires; and
- (b) has such access to the licensee's premises, systems, information and documentation it requires.

9.18.23 Except to the extent provided for in paragraph 9.18.20, the licensee must ensure that the Compliance Officer is not engaged in the management or operation of the Transmission Business, any Associate of the licensee or any Relevant Other Competitive Businesses.

9.18.24 The licensee must make available to the Compliance Officer details of any complaint or representation received by it from any person in respect of the conduct of the licensee in undertaking the Specified Duties.

9.18.25 The duties and tasks of the Compliance Officer must include:

- (a) providing advice and information to the licensee (including individual directors of the licensee) and the Single Appointed Director for the purpose of ensuring the licensee's compliance with the Specified Duties;
- (b) monitoring the effectiveness of the practices, procedures and systems adopted by the licensee to ensure its compliance with the Specified Duties and described in the Compliance Statement;
- (c) advising whether, to the extent that the implementation of such practices, procedures and systems require the co-operation of any other person, they are designed so as reasonably to secure the required co-operation;
- (d) investigating any complaint or representation made available to the Compliance Officer in accordance with paragraph 9.18.24;
- (e) recommending and advising upon the remedial action which any such investigation has demonstrated to be necessary or desirable; and
- (f) providing relevant advice and information to the licensee (including individual directors of the licensee) and the Compliance Committee established under paragraph 9.18.20, for the purpose of ensuring its implementation of:
 - i. the practices, procedures and systems adopted in accordance with the Compliance Statement; and
 - ii. any remedial action recommended in accordance with sub-paragraph (e);
 - iii. reporting to the Compliance Committee any instances which come to the Compliance Officer's attention, relating to a member of any of the managerial boards of the licensee, taking into account the interests of a

business other than that in respect of which the board of which he is a member of has been established; and

- iv. reporting annually to the Compliance Committee as to the Compliance Officer's activities in respect of the Specified Duties during the period covered by the annual report.

9.18.26 As soon as is reasonably practicable and in any event before the end of the period of 90 days beginning with the date of issue of each annual report of the Compliance Officer, the licensee must produce, in a form approved by the Authority in accordance with paragraph 9.18.15, a Compliance Report.

9.18.27 The Compliance Report produced in accordance with paragraph 9.18.28 must in particular:

- (a) detail the activities of the Compliance Officer during the relevant period covered by the Compliance Report;
- (b) refer to such other matters as may be appropriate in relation to the implementation of the practices, procedures and systems described in the Compliance Statement;
- (c) set out the details of any investigations conducted by the Compliance Officer, including:
 - i. the number, type and source of the complaints or representations on which such investigations were based;
 - ii. the outcome of such investigations; and
 - iii. any remedial action taken by the licensee following such investigations; and
 - iv. be accompanied by a Compliance Certificate, in a form approved by the Authority in accordance with paragraph 9.18.15, approved by a resolution of the board of the licensee and signed in good faith by the Single Appointed Director pursuant to that resolution, on the licensee's compliance with the Specified Duties.

9.18.28 The licensee must, as soon as reasonably practicable, following the approval of the Compliance Certificate by the board of the licensee, and in any event before the end of the period of 120 days beginning with the date of issue of each annual report of the Compliance Officer, submit to the Authority a copy of the Compliance Report and Compliance Certificate produced in accordance with paragraphs 9.18.26 and 9.18.27, and ensure copies are readily accessible to the public from the licensee's website.

9.18.29 The licensee must, if so directed by the Authority, appoint an Independent Examiner for the purpose of providing a written report to the Authority:

- (a) reviewing the practices, procedures and systems which have been implemented to secure compliance with this condition;
- (b) assessing the appropriateness of such practices, procedures and systems for securing compliance with the licensee's obligations under this condition; and

(c) reporting on the licensee's compliance with the requirements of this condition.

9.18.30 The Independent Examiner's report must be provided to the Authority during the period of three Working Days beginning with the date on which the licensee receives the report from the Independent Examiner.

9.18.31 The Independent Examiner's report must be commissioned at such intervals as the Authority may direct.

Special Condition 9.19 The strategic innovation fund (SIF_t)

Introduction

9.19.1 The purpose of this condition is to establish arrangements for the SIF and to provide for the calculation of the term SIF_t.

9.19.2 The effect of this condition is to provide funding for Eligible SIF Projects by means of payments received from the ISOP (as adjusted, where appropriate, by the SIF Funding Return Mechanism) in accordance with the determination process in Part A.

9.19.3 This condition also makes provision for arrangements relating to the regulation, administration, and governance of the SIF.

Part A: Determination of the value of the SIF_t term

9.19.4 The SIF_t term is the net amount of SIF Funding less any SIF Funding Return for the Regulatory Year that is to be paid to the licensee by the ISOP, or vice versa, in accordance with the direction issued for that purpose by the Authority pursuant to the provisions of condition F2 (Innovation funding) in the Electricity System Operator Licence.

9.19.5 In each Regulatory Year, in accordance with the SIF Governance Document and the appropriate provisions of the Electricity System Operator Licence the Authority will calculate and then, by direction given to the licensee specify:

- (a) the value of the SIF_t term;
- (b) how the amount of that term has been calculated, taking account of any SIF Funding Return; and
- (c) the manner in which and the timescale over which the ISOP is required to transfer that amount to the licensee or vice versa.

Part B: The SIF Funding Return Mechanism

9.19.6 The Authority may direct how SIF Returned Project Revenues should be paid to customers through the SIF Funding Return Mechanism, or where the Authority considers it to be appropriate, how they should be retained by the licensee.

9.19.7 In each Regulatory Year, in accordance with the appropriate provisions of the SIF Governance Document, the Authority will calculate and then, by direction given to the licensee, will specify:

- (a) the amount of any SIF Funding Return that the licensee must pay to the ISOP; and
 - (b) the manner in which and the timescale over which that amount is to be paid.
- 9.19.8 The licensee must comply with any direction that is issued by the Authority under paragraph 9.19.7.

Part C: The SIF Governance Document

- 9.19.9 The licensee must comply with the SIF Governance Document.
- 9.19.10 The Authority will issue and amend the SIF Governance Document by direction.
- 9.19.11 The Authority will publish the SIF Governance Document on the Authority's Website.
- 9.19.12 The SIF Governance Document will make provision about the regulation, governance and administration of the SIF, including but not limited to:
 - (a) the eligibility criteria to be applied by, and information to be provided to, the Authority in relation to the assessment and approval of proposed SIF projects;
 - (b) the evaluation criteria against which the funding of such proposed SIF projects will be assessed and approved;
 - (c) the process and procedures that will be in place for the assessment, approval, and financing of Eligible SIF Projects, including the SIF Funding Mechanism and SIF Funding Return Mechanism;
 - (d) arrangements to ensure that relevant matters the licensee learned from the implementation of Eligible SIF Projects can be captured and disseminated by the licensee to other Transmission Licensees and the ISOP;
 - (e) the nature of the reporting obligations in respect of such Eligible SIF Projects, which may include reporting in respect of the funding and the completion of such projects, as well as reporting on compliance with this condition and the provisions of the SIF Governance Document; and
 - (f) arrangements relating to the treatment of intellectual property rights including SIF Returned Royalty Income in respect of Eligible SIF Projects.

Part D: Procedure for issuing and revising the SIF Governance Document

- 9.19.13 Before directing that the SIF Governance Document comes into effect the Authority will publish on the Authority's Website:
 - (a) the text of the proposed SIF Governance Document;
 - (b) the date that the Authority intends the SIF Governance Document to come into effect; and
 - (c) the time within which representations may be made on the content of the SIF Governance Document, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

9.19.14 Before directing an amendment to the SIF Governance Document, the Authority will publish on the Authority's Website:

- (a) the text of the amended SIF Governance Document;
- (b) the date on which the Authority intends the amended SIF Governance Document to come into effect;
- (c) the reasons for the amendment to the SIF Governance Document; and
- (d) a period during which representations may be made on the amendment to the SIF Governance Document, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

9.19.15 Where this special condition provides for the Authority to issue or amend a document by direction, the steps required to achieve this may be satisfied by action taken before or after this licence condition comes into effect.

Part E: Governance of NIC legacy projects

9.19.16 The SIF replaced the NIC which ran during the RII0-ET1 price control period to fund innovative low carbon or environmental projects. Although the NIC no longer runs for the licensee from 1 April 2021, the licensee must, in respect of any legacy projects, comply with the NIC Governance Document which makes provisions about matters relating to the governance of the NIC including reporting obligations, arrangements to ensure project learning dissemination and arrangements relating to the treatment of intellectual property rights.

Special Condition 9.20 Tender Support Activities in Onshore Electricity Transmission

Introduction

9.20.1 The purpose of this condition is to place an obligation on the licensee to provide such information and assistance as is reasonably required to the Delivery Body in relation to an Onshore Transmission Tender Exercise.

9.20.2 Part A sets out obligations on the licensee in respect of supporting the Delivery Body in an Onshore Transmission Tender Exercise. Part B sets out the scope, contents, and governance arrangements for the Onshore Competition Information Exchange Guidance.

Part A: Provision of information and assistance to the Delivery Body

9.20.3 The licensee must support the Delivery Body through participation in the Onshore Competition Information Exchange Process in accordance with the Onshore Competition Information Exchange Guidance.

9.20.4 Subject to paragraph 9.20.6 and upon request from the Delivery Body, in accordance with the Onshore Competition Information Exchange Guidance, the licensee must:

- (a) provide such information relating to the licensee's Transmission Area as is reasonably required by the Delivery Body to prepare the tender documentation for an Onshore Transmission Tender Exercise;
 - (b) respond to scheduled requests for information from the Delivery Body during the Invitation to Tender Stage; and
 - (c) respond to reasonable requests for information from the Delivery Body outside of those requested in accordance with paragraph 9.20.4(a) and (b).
- 9.20.5 For the avoidance of doubt, nothing in this condition requires, the licensee to:
- (a) respond to any query it receives directly from a Bidder during an Onshore Transmission Tender Exercise;
 - (b) disclose any information directly to any Bidder during an Onshore Transmission Tender Exercise; or
 - (c) produce any documents or give any information which it could not be compelled to produce or give in evidence in civil proceedings before a court.
- 9.20.6 If the licensee wishes to dispute a request for information from the Delivery Body under paragraph 9.20.6 the licensee must follow the dispute process as set out in the Onshore Competition Information Exchange Guidance.
- 9.20.7 The licensee shall assist the Delivery Body, where appropriate, through the facilitation of a site visit for Qualifying Bidders in accordance with the Onshore Competition Information Exchange Guidance.
- 9.20.8 If the licensee determines that the requested site visits by the Delivery Body cannot be fulfilled, the licensee must as soon as reasonably practicable notify the Delivery Body and the Authority.

Part B: Onshore Competition Information Exchange Guidance

- 9.20.9 The licensee must comply with the Onshore Competition Information Exchange Guidance.
- 9.20.10 The Authority will issue and amend the Onshore Competition Information Exchange Guidance by direction.
- 9.20.11 The Authority will publish the Onshore Competition Information Exchange Guidance on the Authority's Website.
- 9.20.12 The Onshore Competition Information Exchange Guidance will include, or make provision for, the following matters:
- (a) details of information related to the licensees' Transmission Area required to be provided in accordance with paragraph 9.20.4(a);
 - (b) the format (including templates) for responding to requests for information in accordance with paragraphs 9.20.4(a) and 9.20.4(b);
 - (c) timescales for responding to scheduled information requests from the Delivery Body in accordance with paragraph 9.20.4(b);

- (d) the frequency with which and the expected timescales in an Onshore Transmission Tender Exercise within which the licensee is required to carry out the activities specified in Part A of this condition;
 - (e) the process for managing additional information requests from the Delivery Body in accordance with paragraph 9.20.4(c);
 - (f) the process for managing information request disputes in accordance with paragraph 9.20.6;
 - (g) the process for facilitating site visits in accordance with paragraph 9.20.7; and
 - (h) processes in respect to the protection of Confidential Information.
- 9.20.13 Before issuing the Onshore Competition Information Exchange Guidance, the Authority will publish on the Authority's Website:
- (a) the text of the proposed Onshore Competition Information Exchange Guidance;
 - (b) the reasons for the proposed Onshore Competition Information Exchange Guidance; and
 - (c) a period during which representations on the proposed Onshore Competition Information Exchange Guidance may be made, which will be up to 28 days unless the Authority determines that a longer period is appropriate.
- 9.20.14 Before directing an amendment to the Onshore Competition Information Exchange Guidance by direction, the Authority will publish on the Authority's Website:
- (a) the text of the amended Onshore Competition Exchange Guidance;
 - (b) the date on which the Authority intends the amended Onshore Competition Information Exchange Guidance will take effect;
 - (c) the reasons for the amendments to the Onshore Competition Information Exchange Guidance; and
 - (d) a period during which representations on the amendments to the Onshore Competition Information Exchange Guidance may be made, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

Special Condition 9.21 Conflict Mitigation Arrangements for Onshore Transmission Tender Exercise

Introduction

- 9.21.1 The purpose of this condition is to require the licensee to put in place arrangements to manage, and where applicable, mitigate potential conflicts of interest in respect of an Onshore Transmission Tender Exercise.
- 9.21.2 Part A sets out the overarching obligations on the licensee when undertaking Tender Support Activities. Part B sets out the employee restrictions and

separation requirements between the licensee and any Bidding Unit that will apply when a licensee has established a Bidding Unit. Part C sets out the obligations on the licensee to restrict the use of information that the licensee has access to through its Tender Support Activities. Part D sets out the Conflict Mitigation Statement the licensee must publish if it has established a Bidding Unit, which (amongst other things) must comply with the Conflict Mitigation Methodology issued by the Authority. Part E sets out requirements on the licensee to conduct an external independent audit.

Part A: Conduct of the licensee when undertaking its Tender Support Activities

- 9.21.3 In performing its Tender Support Activities and at all times when the licensee has established a Bidding Unit, the licensee must act in a manner intended to ensure that neither the Bidding Unit, nor any Bidder, obtains an Unfair Commercial Advantage.

Part B: Separation of the licensee and any Bidding Unit

- 9.21.4 Without prejudice to the licensee's obligations under Standard Conditions B5 (Prohibition of cross-subsidies) and B6 (Restriction on Activity and Financial Ring Fencing) and Special Conditions 9.17 (Prohibited Activities and Conduct of the Transmission Business) and 9.18 (Business separation requirements and compliance obligations), the licensee must conduct its Tender Support Activities separately from any Bidding Unit in accordance with the requirements set out in Part B of this condition.
- 9.21.5 The licensee must ensure the separation of management structures between the licensee and any Bidding Unit up to, but not necessarily including, the board of directors of an immediate parent company of the licensee.
- 9.21.6 The licensee must ensure that arrangements are in place which are effective in restricting the access of:
- (a) persons engaged in the management or operation of any Bidding Unit to any parts of premises occupied by the network planning or project development operations of the licensee; and
 - (b) persons engaged in the network planning or project development operations of the licensee to any parts of premises occupied by any Bidding Unit.
- 9.21.7 The licensee must ensure that the systems used for the recording, processing and storage of information relating to, or derived from, the licensee performing its Tender Support Activities, to which persons engaged in the management or operation of the licensee have access, cannot be accessed by persons engaged in the management or operation of any Bidding Unit.
- 9.21.8 The licensee must ensure that during the initial 14 weeks of the Invitation to Tender Stage of an Onshore Transmission Tender Exercise:
- (a) all persons involved in the activities within any Bidding Unit are prohibited from transferring to the licensee; and

(b) all persons involved in the network planning or project development operations of the licensee are prohibited from transferring to any Bidding Unit.

9.21.9 With respect to Standard Conditions B5 (prohibition of cross-subsidies) and B6 (Restriction on Activity and Financial Ring Fencing), the licensee must ensure that any assets related to an Onshore Transmission Tender Exercise are separable from any other asset of the licensee.

9.21.10 The licensee must not use any Allowed Revenue to establish any Bidding Unit or for any Bidding Unit activities in respect of an Onshore Transmission Tender Exercise.

Part C: Restrictions on the use of information in connection with Tender Support Activities

9.21.11 Any information held by the licensee relating to or deriving from its Tender Support Activities is to be treated as Confidential Information for the purpose of this condition and Special Condition 9.20 (Tender Support Activities in Onshore Electricity Transmission).

9.21.12 Except as provided for in paragraph 9.21.13, the licensee must not disclose, authorise access to, or authorise use of Confidential Information to:

(a) any Bidder; and

(b) any Bidding Unit, including any employees, agents, contractors, consultants, and advisers of the Bidding Unit.

9.21.13 The licensee may disclose or authorise access to or authorise the use of Confidential Information as far as is necessary or appropriate in the circumstances where:

(a) the disclosure of, access to, or use of the Confidential Information is required or permitted by:

- i. any requirement of a Competent Authority;
- ii. the conditions of any licence granted or taking effect as if granted under the Act or any document referred to in such a licence with which the licensee is required by virtue of the Act or that licence to comply;
- iii. paragraph 9.20.4 of Special Condition 9.20 (Tender Support Activities in onshore electricity transmission);
- iv. the Electricity (Early-Model Competitive Tenders for Onshore Transmission Licences) Regulations 2025;
- v. any court or tribunal order;
- vi. the performance of a statutory function;
- vii. under the rules of the Electricity Arbitration Association or another arbitral body; or

(b) the disclosure of, access to, or use of the Confidential Information is to persons engaged in the provision of Shared Services, but only to the extent

necessary to allow those persons to perform their functions to support the licensee in performing its Tender Support Activities.

Part D: Conflict Mitigation Statement and Conflict Mitigation Methodology

9.21.14 Where the licensee intends to participate in an Onshore Transmission Tender Exercise as a Bidder through a Bidding Unit, before the Pre-Qualification Stage commences, the licensee must:

- (a) notify the Authority of its intention to bid; and
- (b) prepare and submit a Conflict Mitigation Statement to the Authority for approval.

9.21.15 A Conflict Mitigation Statement must:

- (a) comply with the Conflict Mitigation Methodology published under paragraph 9.21.20;
- (b) address the following matters as described in the Conflict Mitigation Methodology:
 - i. separation of the licensee and the Bidding Unit;
 - ii. employee transfer restrictions;
 - iii. managerial separation;
 - iv. information sharing restrictions;
 - v. financial separation; and
 - vi. monitoring and reporting compliance including a Conflicts Management Officer; and
- (c) be approved and signed by a director of the licensee's board of directors.

9.21.16 Following receipt of a Conflict Mitigation Statement, or an updated Conflict Mitigation Statement in accordance with paragraph 9.21.17(c), the Authority will either:

- (a) approve the Conflict Mitigation Statement and notify the licensee of its approval; or
- (b) give a direction to the licensee on any parts of the Conflict Mitigation Statement that require further development and provide a date by which the licensee is required to submit a revision to the Authority for approval.

9.21.17 Following the Authority's approval of the Conflict Mitigation Statement under paragraph 9.21.16(a), the licensee must:

- (a) unless the Authority otherwise consents or directs, comply with the approved Conflict Mitigation Statement at all times during the Onshore Transmission Tender Exercise;
- (b) keep the Conflict Mitigation Statement under review and update it as necessary, including when circumstances change such that the document no longer secures compliance with this condition or when the Authority directs, to ensure that it continues to be complete and accurate in all material respects;

- (c) where the licensee has updated the approved Conflict Mitigation Statement, submit the updated Conflict Mitigation Statement to the Authority for approval; and
 - (d) where the licensee notifies the Authority under paragraph 9.21.14(a) that it intends to participate in an Onshore Transmission Tender Exercise as a Bidder, implement the procedures and systems by which the licensee will secure compliance with Part B of this condition, according to the timescales set out in the approved Conflict Mitigation Statement.
- 9.21.18 The licensee must publish a copy of the approved Conflict Mitigation Statement and, if applicable, each revision of it within 15 working days of the date of approval by the Authority.
- 9.21.19 The Authority will issue and amend the Conflict Mitigation Methodology by direction.
- 9.21.20 The Authority will publish the Conflict Mitigation Methodology on the Authority's Website.
- 9.21.21 The Conflict Mitigation Methodology will make provision about the requirements and reporting framework of the Conflict Mitigation Statement.
- 9.21.22 Before directing that the Conflict Mitigation Methodology comes into effect, the Authority will publish on the Authority's Website:
- (a) the text of the proposed Conflict Mitigation Methodology;
 - (b) the reasons for the proposed date on which the Authority intends the Conflict Mitigation Methodology to come into effect; and
 - (c) a period during which representations on the text of the proposed Conflict Mitigation Methodology may be made, which will be up to 28 days unless the Authority determines that a longer period is appropriate.
- 9.21.23 Before directing an amendment to the Conflict Mitigation Methodology, the Authority will publish on the Authority's Website:
- (a) the text of the amended Conflict Mitigation Methodology;
 - (b) the date on which the Authority intends the amended Conflict Mitigation Methodology to come into effect;
 - (c) the reasons for the amendments to the Conflict Mitigation Methodology; and
 - (d) a period during which representations on the amendments to the Conflict Mitigation Methodology may be made, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

Part E: External Audit

- 9.21.24 The licensee must procure an external audit in the manner specified in the Conflict Management Audit Terms of Reference to assess the licensee's level of compliance with the requirements in paragraph 9.21.15.
- 9.21.25 The licensee must ensure that, in respect to an external audit:

- (a) the external audit is conducted by an independent person who is not affiliated with the Bidding Unit or the licensee (which has the meaning given in paragraph 1.8 of the Conflict Management Audit Terms of Reference); and
 - (b) the licensee has complied with any requirements that have been specified in respect to the appointment of that person in accordance with paragraphs 1.9-1.12 of the Conflict Management Audit Terms of Reference.
- 9.21.26 The licensee must ensure any external audit procured in accordance with paragraph 9.21.24 complies with the Conflict Management Audit Terms of Reference.
- 9.21.27 The Authority will issue and amend the Conflict Management Audit Terms of Reference by direction.
- 9.21.28 The Authority will publish the Conflict Management Audit Terms of Reference on the Authority's Website.
- 9.21.29 The Conflict Management Audit Terms of Reference will include:
 - (a) the scope, objective and methodology of an external audit;
 - (b) findings, evidence to support findings, and impact of findings; and
 - (c) conclusions, recommendations, and actionable suggestions.
- 9.21.30 Before directing that the Conflict Management Audit Terms of Reference come into effect, the Authority will publish on the Authority's Website:
 - (a) the text of the proposed Conflict Management Audit Terms of Reference;
 - (b) the date on which the Authority intends the Conflict Management Audit Terms of Reference to come into effect; and
 - (c) a period during which representations on the text of the proposed Conflict Management Audit Terms of Reference may be made, which will be up to 28 days unless the Authority determines that a longer period is appropriate.
- 9.21.31 Before directing an amendment to the Conflict Management Audit Terms of Reference, the Authority will publish on the Authority's Website:
 - (a) the text of the amended Conflict Management Audit Terms of Reference;
 - (b) the date on which the Authority intends the amended Conflict Management Audit Terms of Reference to come into effect;
 - (c) the reasons for the amendments to the Conflict Management Audit Terms of Reference; and
 - (d) a period during which representations on the amendments to the Conflict Management Audit Terms of Reference may be made on the proposed direction, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

Special Condition 9.22 CSNP Coordination

Introduction

- 9.22.1 The effect of this condition is to set out obligations on the licensee to provide information and assistance to the ISOP in relation to the development and implementation of the CSNP and establish the CSNP Coordination Governance Document.
- 9.22.2 This condition explains the process that the Authority will follow in issuing and amending the CSNP Coordination Governance Document.

Part A: Provision of Information and Assistance to ISOP

- 9.22.3 The licensee must provide information to the ISOP regarding its assets during the development and implementation of the CSNP, including;
 - (a) data on assets owned and operated by the licensee;
 - (b) asset condition information and site information; and
 - (c) planned programme of works and asset reservation or allocations.
- 9.22.4 The licensee must provide technical options for strengthening or upgrading the electricity transmission network to the ISOP in its development and implementation of the CSNP, including:
 - (a) modelling future supply and demand;
 - (b) identifying of system requirements;
 - (c) estimating cost and justifying the technical options;
 - (d) estimating delivery date and its justifying the technical options;
 - (e) assessing of technical options proposed by the ISOP;
 - (f) providing relevant information relating to environmental, community and planning requirements.

Part B: CSNP Coordination Governance Document

- 9.22.5 The licensee must comply with the CSNP Coordination Governance Document.
- 9.22.6 The Authority will issue and amend the CSNP Coordination Governance Document by direction.
- 9.22.7 The Authority will publish the CSNP Coordination Governance Document on the Authority's Website.
- 9.22.8 The CSNP Coordination Governance Document will include the following:
 - (a) Roles and responsibilities of the licensee, the ISOP, and the Authority pertaining to the monitoring of effective data transfer in the development of the CSNP;
 - (b) Expected standards of data submission from the licensee for the development of the CSNP; and

- (c) Dispute resolution process where there is a disagreement between the licensee and the ISOP relating to the ISOP's performance report submitted to the Authority.
- 9.22.9 Before issuing the CSNP Coordination Governance Document, the Authority will publish on the Authority's Website:
- (a) the text of the proposed CSNP Coordination Governance Document;
 - (b) the reasons for the proposed CSNP Coordination Governance Document; and
 - (c) a period during which representations on the proposed CSNP Coordination Governance Document may be made, which will be up to 28 days unless the Authority determines that a longer period is appropriate.
- 9.22.10 Before directing an amendment to the CSNP Coordination Governance Document, the Authority will publish on the Authority's Website:
- (a) the text of the amended CSNP Coordination Governance Document;
 - (b) the date on which the Authority intends the amended CSNP Coordination Governance Document to take effect;
 - (c) the reasons for the amendments; and
 - (d) a period during which representations may be made on the amendments, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

Special Condition 9.23 Termination of the Operational Services Agreement

Introduction

- 9.23.1 The purpose of this condition is to set out the requirements on the licensee in respect of termination of the Operational Services Agreement.

Part A: Termination of the Operational Services Agreement

- 9.23.2 Prior to the licensee exercising any termination right in respect of the Operational Services Agreement, the licensee must first consult with the Authority and comply with any direction given by the Authority as to whether or not to exercise such termination right.
- 9.23.3 The licensee must as soon as reasonably practicable notify the Authority if it proposes to make any change to the duration, term, termination rights or the Authority's role as set out in the Operational Services Agreement (in whole or in part).