

Scottish Hydro Electric 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 ~~2021~~ 2026.
- 1.1.12 Any monetary values in these special conditions are in sterling in a ~~2018/19~~ 2023/24 price base unless otherwise indicated.
- 1.1.13 The price base for each PCFM Variable Value is denoted in the ~~ET2~~ ET3 Price Control Financial Model "~~Input~~" "LicenseeSelectInput" sheet. Where a PCFM Variable Value is listed as a "£m nominal" value, the ~~ET2~~ 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 ~~2018/19~~ 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 ~~ET2~~ 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
Submission
Requirements
Document

means the document of that name issued by the Authority in accordance with Special Condition 3.21~~Special Condition 3.41~~ (ASTI Re-opener and Price Control Deliverable).

Access
Agreement

~~means a formal agreement between the licensee and a community group in the form of a lease or other agreement depending on the site and what is legally permitted by wayleaves.~~

Access Reform
Change

~~means the changes to industry codes are made to implement the outcome of the Authority's access and charging reform significant code review launched in December 2018.~~

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 Chapter 3 of the ET3 Price Control Financial Handbook.

Advanced
Procurement
Mechanism (APM)

means the regulatory funding mechanism established by 3.15.37(c)Appendix 3 (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~~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~~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 Advanced Procurement Mechanism Allowance, established by Part A of 3.15.37(c)Appendix 3 (Advanced Procurement Mechanism (APM) Allowance and APM Re-opener (APM_t)).

APM Cap (APM_{Ct})

means the cap on the APM Allowance established by the Authority and specified in Appendix 1 of 3.15.37(c)Appendix 3 Appendix 1 (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 aAllowance against as set out in the APM Governance Document.

APM Disallowances (APM_{Dt})

means APM Expenditure that has been determined as ineligible in accordance with Part I of 3.15.37(c)Appendix 3 Part I (Advanced Procurement Mechanism (APM) Allowance and APM Re-opener (APM_t)).

Annual Iteration ProcessAPM Expenditure (APM_{S_t})

means in relation to the ET2 Price Control Financial Model, the process set out in Special Condition 8.2 (Annual Iteration Process for the ET2 Price Control Financial Model), which is to be read and given effect subject to any further applicable explanation or elaboration within the ET2 Price Control Financial Handbook. 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 RRP's Regulatory Reporting Packs.

APM Governance Document

means the document issued by the Authority in accordance with Part KJ of 3.15.37(c)Appendix 3 (Advanced Procurement Mechanism (APM) Allowance and APM Re-opener (APM_t)).

APM Recovered Expenditure (APM_{Rt})

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.

<u>APM Register</u>	<u>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.</u>
<u>APM Re-opener</u>	<u>means any of the rRe-openers established by Part B, Part C, Part D and Part E of 3.15.37(c)Appendix 3 (Advanced Procurement Mechanism (APM) Allowance and APM Re-opener (APM_t)).</u>
<u>Appropriate Auditor</u>	means: (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; (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 (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.
<u>Appropriate Time</u>	means three months, or such shorter period as the Authority may approve in respect of any person or class of persons.
<u>Appropriately Qualified Independent Examiner</u>	means a qualified tax chartered accountant, chartered tax adviser, or equivalent, from a <u>specialist corporation tax function of a top-tier</u> firm regulated by a relevant professional body, who may be an employee of the licensee's Appropriate Auditors.
<u>ASCRAsset</u>	means Aluminium conductor steel-reinforced cable. <u>means primary or light current equipment on the transmission system.</u>
<u>AAAC Asset Data</u>	means all aluminium alloy conductor. 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: <ul style="list-style-type: none"> (a) an Affiliate or Related Undertaking of the licensee; (b) an Ultimate Controller of the licensee; (c) a Participating Owner of the licensee; and (d) a Common Control Company.
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	means the assets constituting an investment in the Transmission System, where the investment: <ul style="list-style-type: none"> (a) meets the definition of LOTI; <u>as set out in Chapter 1 Special Condition 1.1 of this licence as it stood in force on 31 March 2026;</u> (b) has been identified by the ISOP as being needed to be operational by 2030 to meet the <u>UK</u> Government's ambition to connect 50GW offshore wind generation; and (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.

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 4.97 (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 4.97 (Accelerated strategic transmission investment output delivery incentive).
<u>ASTI ODI-F Delay Event</u>	<p><u>means an event that:</u></p> <p><u>(a) causes, or is reasonably expected to cause, one or more ASTI projects to be delayed by at least 30 days;</u></p> <p><u>(b) is outside the licensee's reasonable control; and</u></p> <p><u>(c) is not attributable to any error or failure on the licensee's part.</u></p>
ASTI Outputs	means the outputs included in Appendices 1 and 2 to Special Condition 3.4121 (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	<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 3.4121 (Accelerated strategic transmission investment Re-opener and Price Control Deliverable):</p> <p>a) on the ASTI Output, delivery date and associated allowances to be specified in Appendix 1 to Special Condition 3.4121;</p> <p>b) on any additional events that are to be considered ASTI Cost And Output Adjusting Events for that ASTI; and</p>

c) on the availability standard for the relevant ASTI Output to be specified in Appendix 2 to Special Condition 3.41
21 with any modifications to Special Condition 3.4121 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.

~~Base Transmission Revenue~~ means ~~the revenue calculated in accordance with the formula set out in Part C of Special Condition 3A (Restriction of Transmission Network Revenue) of this licence as in force on 31 March 2021.~~

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 ~~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.

Bay AssetsBespoke Procurement ~~means switchgear at various transmission and distribution voltages which is used for controlled switching and operations of the network but is not used to break fault current and commonly includes, earth switches, disconnectors (isolators) of various designs and surge arrestors.~~ 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 Bidder Bidder 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 Biodiversity Net Gain means a measurable net improvement in the Biodiversity Units for a defined area of land compared to the baseline measure of Biodiversity Units before intervention by the licensee. 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.

Biodiversity Unit means a nominal figure that represents the distinctiveness, condition and size of a habitat.

Boundary Reinforcement Project means a project which will uplift the Boundary Transfer Capability across one or more specific transmission circuits.

Boundary Transfer Capability Business Support Costs means the maximum amount of power flow across specific transmission circuits following the most onerous secured event of a fault outage without exceeding the thermal rating of any asset forming part of the National Electricity Transmission System, without any unacceptable voltage conditions or insufficient voltage performance and without any transient or dynamic instability of the electrical plant, equipment and systems directly or indirectly connected to the National Electricity Transmission System. has the meaning given to that term in the Electricity Transmission Price Control Regulatory Instructions and Guidance (latest RIGs).

Business Plan means a plan of the sort that the licensee was invited to submit by paragraph 2.25 of the document titled 'RIIO-2 Sector Specific Methodology—Core document', published by the Authority on 24 May 2019.

CAF Outcomes means the outcomes set out under the cyber security and resilience principles set out in the document titled 'CAF Guidance', version 3.0, "NIS Supplementary Guidance and CAF Overlay for DGE Sector", published by the National Cyber Security Centre Authority on 30 September 2019 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 means refers to the reinforcement project in the north-east of Scotland comprising a high-voltage electric lines and electrical plant which comprise the following components:

(a) a high-voltage direct current (HVDC) cable, across the sole purpose of which is to transmit electricity between converter stations at Spittal and Blackhillock, both within the area specified in the Electricity Act 1989 (Uniform Prices in the North of Scotland) Order 2005 made on 1 April 2005, via an Moray Firth and associated onshore and subsea corridor route of which extends, in part, outside of Great Britain, within the territorial sea adjacent to Great Britain, any Renewable Energy Zone, or an area designated under section 1(7) of the Continental Shelf Act 1964;

(b) those 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 substations at Spittal and Blackhillock and that does not transmit electricity for the purposes of offshore works, delivering additional transmission as defined in the Act capacity across boundaries B0 and B1 to accommodate renewable generation

Calculated Revenue has the value given to it derived in accordance with Part ED 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 ET2ET3 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). (CAMt).

Capital Construction CATO Project means any a project that falls under which the licensee's capital delivery arm Authority has decided should be delivered by a Competitively Appointed Transmission Owner.

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 higher 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 RIIIO-4 Network2 <u>NIA Network Innovation Allowance</u> for an additional Regulatory Year, <u>and the first half of the following Regulatory Year.</u>
Civil Related Works <u>Centralised Strategic Network Planning</u>	means interventions on existing substation civil structures which are considered by the licensee and Authority to be in a condition warranting intervention, including roof, building, asset structures, new roads and replacements, vehicular and pedestrian trench crossings in substations and environmental (drainage and oil containment issues on substations). <u>means the activities undertaken by the Electricity System Operator which result in recommendations for the licensees to deliver specified investments, including (but not limited to) the CSNP publications and any transitional CSNP publications.</u>
<u>Closely Associated Indirects</u>	has the meaning given to that term in the <u>Electricity Transmission Price Control Regulatory Instructions and Guidance (latest RIGs).</u>
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).
<u>Community Funds</u>	<u>means the community fund for transmission infrastructure introduced by UK Government.</u>
<u>Community Funds Pass-through Guidance</u>	<u>the guidance document issued by the Authority in accordance with Part D of Special Condition 6.1 Pass-through items (PTt)</u>
<u>Company Tax Return</u>	<u>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.</u>
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 ~~Relevant~~Specified Duties.

Compliance Report

means an annual report provided by the licensee to the Authority which demonstrates its compliance with the ~~Relevant~~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 ~~Relevant~~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 9.229.21 (Conflict Mitigation Arrangements for Onshore Transmission Tender Exercise).

Conflict Mitigation
~~Methodology~~ Methodology

means the document of that name published on the Authority's Website in accordance with Part D of Special Condition 9.229.21 (Conflict Mitigation Arrangements for Onshore Transmission Tender Exercise).

Conflict Mitigation Statement—Statemen
nt 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.

Connection Entry Capacity has the meaning given to that term in the CUSC.

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_t), ~~as determined by the Authority~~ 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 a Connection Project's available for commercial load date as set out in the TO Construction Agreement.~~ 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 means:

- (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
- (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.

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).

Consumer Outcome

means:

~~(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
(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.~~

Cost and Output Adjusting Event

means:

- (a) an Extreme Weather Event;
- (b) the imposition of additional terms or conditions of any under a statutory consent, approval or permission consenting process (including but not limited to planning consent);
- (c) unforeseen ground or sea-bed conditions;
- (d) for the purposes of ~~the Shetland HVDC Link~~ the events set out in Appendix 3 to a particular CSNP Re-opener Output under Special Condition 3.13 (Large onshore transmission investment¹⁹ (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>(e) for the purposes of any other a particular LOT <u>Load Re-opener Output, under Special Condition 3.18 (Load Re-opener and Price control Deliverable (LR_c))</u>, any event that the Authority decides is a Cost And Output Adjusting Event in the Project Assessment Decision.</p>
Cost-Benefit Analysis	<p>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.</p>
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>
<u>CSNP</u>	<p><u>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.</u></p>
<u>CSNP Re-opener Guidance and Submissions Requirements Document</u>	<p><u>means the document issued by the Authority in accordance with Part G of Special Condition 3.19 (CSNP Re-opener and Price Control Deliverable (CSNPR_c)).</u></p>
<u>CSNP Coordination Governance Document</u>	<p><u>means the guidance document issued by the Authority in accordance with Part B of Special Condition 9.2 ²⁴ (CSNP Coordination)</u></p>
<u>CSNP Re-opener Output</u>	<p><u>means an output in Appendix 1 of ²⁴Special Condition 3.19 (CSNP Re-opener and Price Control Deliverable term (CSNPR_c)).</u></p>

CSNP Information
Exchange Guidance

means the guidance document issued by the Authority in
accordance with Part B of Special Condition 9.25 (CSNP TO
engagement/data exchange)

Cruachan
Transmission
Line CSNP Re-
opener Project
Assessment
Decision

means the double circuit 275kV transmission line extending
from the Cruachan Station Works, to the Dalmally Switching
Station and thereafter to the Windyhill Substation together with
all lattice Towers, conductors, insulators, associated cables and
connections, and all other items of plant or equipment making
up or supporting said transmission line, with the benefit, subject
to the applicable conditions therein, of all wayleaves or
servitude rights relating thereto and where any expressions
used in this definition are defined in a transfer scheme, the
expressions shall have the same meaning as in the transfer
scheme.
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 (CSNPRT)):

a) on the CSNP Re-opener Output and associated allowances to
be specified in Appendix 1 to Special Condition 3.19;

b) on any additional events that are to be considered CSNP Cost
And Output Adjusting Events for that CSNP Re-opener Output;
and

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.

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.

GVPCyber
Resilience Plan

means a plan of the consumer value propositions which were
submitted by sort that the licensee in its 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 accepted Requirement", published
by the Authority in its RIIO-2 Final Determinations on 30
September 2024.

CVP Full Delivery	means the delivery as a minimum of the CVP Outputs for each CVP set out in Appendix 1 to Special Condition 4.8 (Consumer value proposition) by 31 March 2026.
CVP Output	means the outputs set out in Appendix 1 to Special Condition 4.8 (Consumer value propositions).
CVP Reward	means the values set out in Appendix 1 to Special Condition 4.8 (Consumer value propositions).
Cyber Resilience IT Baseline Allowances Table	means the table of that name in the document identified in Appendix 1, to Special Condition 3.32 (Cyber Resilience information technology Re-opener and Price Control Deliverable Allowances Table) by its title and publication date.
Cyber Resilience IT PCD Table	means the table of that name in the document identified in Appendix 2 to Special Condition 3.32 (Cyber Resilience information technology Re-opener and Price Control Deliverable PCD table) by its title and publication date.
Cyber Resilience IT Plan	means a plan of the sort that the licensee was invited to submit at bullet point 1 of paragraph 6.99 of the document titled 'RHO-2 Sector Specific Methodology – Core document', published by the Authority on 24 May 2019.
Cyber Resilience OT Baseline Re-opener Allowances Table	means the table of that name in the document identified in Appendix 13 to Special Condition 3.2 (Cyber Resilience operational technology Re-opener, Price Control Deliverable and use it or lose it allowance Allowances Table) by its title and publication date.
Cyber Resilience OT PCDUIOLI Allowances Table	means the table of that name in the document identified in Appendix 24 to Special Condition 3.2 (Cyber Resilience operational technology Re-opener, Price Control Deliverable and use it or lose it allowance Use It Or Lose It Allowances Table) by its title and publication date.
Cyber Resilience OT Plan	means a plan of the sort that the licensee was invited to submit at bullet point 2 of paragraph 6.99 of the document titled 'RHO-2 Sector Specific Methodology – Core document', published by the Authority on 24 May 2019.
Data Best Practice Guidance	means the guidance document issued by the Authority in accordance with Part D of Special Condition 9.556 (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
Day 2 CTA Contract	means the contractual arrangement between National Grid Holdings One plc ('NG') and the Licensee for the recovery of costs for NG's CTA2 Activities, subject to certain requirements being met.

De Minimis
Business

means any business or activity carried on by the licensee or a relevant Associate other than:

(a) the Transmission Business; and

(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).

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.

~~Delay Event~~

~~means the body designated by Regulation 3 of the Electricity (Designation of Delivery Bodies) (Transmission) Regulations 2023~~

Delivery Body

~~means an event that: (a) causes, or is reasonably expected to cause, one or more ASTI projects to be delayed by at least 30 days; (b) is outside the licensee's reasonable control; and (c) is not attributable to any error or failure on the licensee's part.~~

Delivery
Body – Track
Projects

means the projects that received Development Track Pre-Construction Funding in the RIIO-ET2 price control
~~means the body designated by Regulation 3 of the Electricity (Designation of Delivery Bodies) (Transmission) Regulations 2023.~~

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 that have a statutory designation as a 'national park' or 'area of outstanding natural beauty' under the National Parks and Access to the Countryside Act 1949 and areas that have a statutory designation as a 'national scenic area' under the Town and Country Planning (Scotland) Act 1997.~~
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.

<u>Development Funding</u>	<u>means the funding required to complete the works required on Development Track projects for the completion of their associated Price Control Deliverable PCD requirements and for further project development until the end of RIIO-ET2.</u>
<u>Development Track Projects</u>	<u>projects that received Development Funding in RIIO-ET2.</u>
<u>Digitalisation</u>	<u>means using Energy System Data and digital technology to generate benefits for consumers and stakeholders.</u>
Digitalisation Action Plan	means a document prepared and published by the licensee in accordance with Part B of Special Condition 9.5 ⁵⁶ (Digitalisation).
<u>Digitalisation Re-opener</u>	<u>means the Re-opener established by Part B and Part C of Special Condition 3.7 (Digitalisation Re-opener).</u>
Digitalisation Strategy	means a document prepared and published by the licensee in accordance with Part A of Special Condition 9.5 ⁵⁶ (Digitalisation).
Directly Attributable Costs	means costs relating to the maintenance and management of intellectual property generated through Eligible NIC Projects (whether undertaken by the licensee or any other Transmission Licensee and Electricity Distribution Licensees and the ISOP), that have not been otherwise funded through Network Charges or services under Special Condition 8B (Services treated as Excluded Services) of this licence as in force on 31 March 2021 or the NIC Funding Mechanism.
Direct Costs	<u>has the meaning given to that term in the latest RIGs.</u>
Directly Remunerated Services	has the meaning given to that term in Part A of Special Condition 9.7 ⁷⁸ (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.
Disallowed Expenditure	means revenue received (whether by the licensee or any other electricity Transmission Licensee or and Electricity Distribution Licensees and the ISOP) under the NIC Funding Mechanism, that the Authority determines has not been spent in accordance with the applicable provisions of the NIC Governance Document or the terms of the relevant Project Direction.

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 9.6⁷⁶ (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 9.6⁷⁶ (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 9.5⁵⁶ (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 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~~^{National Grid Electricity 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 National Grid Electricity Transmission Plc's Transmission Area 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

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:

(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

(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.

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).

Electricity System Restoration Project Eligibility Letter means a project to aid the procedure used to restore power in the event of a Total Shutdown or Partial Shutdown (each as defined in the Grid Code) of the National Electricity Transmission System means a structured submission that a licensee must provide to the Authority under Part D of Special Condition 3.18 (Load Re-opener and Price Control Deliverable) of its electricity transmission licence when seeking to apply for a Load Re-opener Output.

Electricity System Restoration Standard means the target Restoration Time(s) that the Secretary of State directs the ISOP to have the capability to meet.

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 CNIA Projects means RHO-1 Network Innovation Allowance projects on which work commenced prior to 31 March 2021, pursuant to the requirements of the RHO-1 NIA Governance Document.

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.

Eligible NIC Project End of Life Modifier Score means a project undertaken by the licensee or any other Transmission Licensee or the ISOP that appears to the Authority to satisfy such requirements of the NIC Governance Document as are necessary to enable the project to be funded under the NIC Funding Mechanism. 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-T0 Optimisation output delivery incentive (SO-T0t)), 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 the RII0-ET3-price control.

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
Compensatory
Payment
Methodology
ENS Exceptional
Event

~~means the methodology that the licensee is required to publish and maintain pursuant to Part B of Special Condition 6.3 (Energy not supplied compensatory scheme pass-through).~~

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 7 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
Discretionary
Reward Scheme

~~means the RII0-ET1 scheme of that name.~~

Environmental Discretionary Reward Scheme Guidance Developments	means the document of a change in circumstances related to new or amended legislative requirements that name maintained by relate to the licensee's impact on the Authority in accordance with Special Condition 7.7 (Close out of environment that are contained within or could have been contained within the RHO-ET1 adjustment in respect of the licensee's Environmental Discretionary Reward Scheme). <u>Action Plan.</u>
Environmental Net Gain	means achieving Biodiversity Net Gain first and going further to achieve net increases in the capacity of affected natural capital to deliver ecosystem services.
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).
Environmental Value	means a measure of the level of biodiversity and the value of the ecosystem services from the natural capital assets associated with a particular land area.
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 (<u>Advanced Procurement Mechanism</u>), any equipment specified as an APM Cost Category in Appendix 1 of the APM Governance Document.
<u>ET NARM Methodology</u>	<u>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).</u>
<u>ET1/ET2 Legacy Price Control Financial Model</u>	has means a modified version of the meaning given to <u>ET2 Price Control Financial Model</u> as that term is defined in Special Condition 1A (Definitions and <u>1.1 (Interpretation and definitions)</u>) of this licence as in force on 31 March 2024 <u>2026</u> .
<u>ET2/ET3 Crossover Submission Requirements and Guidance Document</u>	<u>means the document issued by the Authority in accordance with Part D of Special Condition 3.23 ET2/ET3 Crossover Adjustments (T2ACAt)</u>

~~ET2~~ET3 Price
Control Financial
Handbook

means the document of that name that was first published by the Authority ~~to come~~ and which comes into effect on 1 April 2021 ~~and includes specific information and advice about the operation of the Annual Iteration Process and the ET2 Price Control Financial Model, as modified from time to time in accordance with the provisions of Special Condition 8.1 (Governance of the ET2 Price Control Financial Instruments).~~ 2026.

~~ET2~~ET3 Price
Control Financial
Instruments

means the ~~ET2~~ET3 Price Control Financial Handbook and the ~~ET2~~ET3 Price Control Financial Model.

~~ET2~~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 2021:

~~(a) that is represented by a workbook in Microsoft Excel® format maintained under that name on the Authority's Website; and~~

~~(b) that the Authority will use to determine the value of the term AR_t through the application of the Annual Iteration Process in accordance with the provisions of Special Condition 8.2 (Annual Iteration Process for the ET2 Price Control Financial Model) and as modified from time to time in accordance with the provisions of Special Condition 8.1 (Governance of the ET2 Price Control Financial Instruments).~~ 2026.

~~ET2~~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 ~~ET2~~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.

Ex-Ante Base
Revenue
External
AssuranceExceptio
nal Fault or Failure
Events

~~has the value £504m for each Regulatory Year.~~

means a process to reflect the quality of the licensee's performance to its stakeholders used to derive the incentive term SEA_t term in accordance with the process provided for in Special Condition 3D (Stakeholder Satisfaction Output) of this licence as in force on 31 March 2021. means unplanned, high-impact asset failures 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 Assurance Methodology	means the methodology to support the External Assurance.
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.
Fibre Wrap Replacement	means replacement of conductor that have embedded fibre-optic communications capability that provide connections between electricity transmission assets.
Final Needs Case	means a document that sets out the licensee's final view on the need for a LOTI.
Final Statutory Planning Consultation	means the final public consultation – <u>whether statutory or non-statutory</u> – that the licensee undertakes before submitting its primary planning application in relation to a potential LOTI. <u>Load Re-opener Output project under licence condition 3.18 Load Re-opener and Price control Deliverable (LR_c).</u>
Flooding Defence ProjectFlexible Procurement	means a project to improve the flooding resilience of physical assets connected to the National Electricity Transmission System. <u>It 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.</u>
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.
Foundations	means all the concrete, reinforcement and steel below ground which makes up overhead line tower foundations.
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 into 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.
Funded SF6 Asset Interventions	means interventions on assets containing sulphur hexafluoride, funding for which is provided under Special Condition 3.6 (Net zero Re-opener) or Special Condition 3.14 (Medium Sized Investment Projects Re-opener and Price Control Deliverable), but does not include interventions on assets added to or decommissioned from the licensee's Transmission System for the purposes of paragraph 4.3.5 of Special Condition 4.3 (Insulation And Interruption Gas emissions output delivery incentive).
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.
<u>Gas Transmission Licensee</u>	<u>means the holder of a Gas Transporter Licence granted under section 7 of the Gas Act 1986 responsible for operating the National Transmission System.</u>
<u>Gas Transmission Pipe Corrosion Mitigation</u>	<u>means works required to address accelerated corrosion of Gas Transmission pipelines caused by proximity to Electricity Transmission Overhead Lines (OHL), including protective measures or asset interventions necessary to maintain system integrity.</u>
Generation Connection	means the transmission infrastructure works required to connect new-generation capacity to the National Electricity Transmission System.

Generation
Connection
Capacity

means:

~~(a) the incremental Connection Transmission Entry Capacity, in MW, for generation connected to the National Electricity Transmission System; or~~

~~(b) the incremental system capacity, in MVA, associated with single or multiple new Generation Connections 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.

Halted Project
Revenues
Grid
Supply Point

~~means revenues received (whether by the licensee or by any other Transmission Licensee or Electricity Distribution Licensee or the ISOP) under the NIC Funding Mechanism in respect of an Eligible NIC 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 NIC Governance Document or the terms of the relevant Project Direction.~~
means a connection point at which the transmission system is connected to a distribution system

Harmonic
Halted
Project
Revenues
Harmonic
Filtering
Equipment

~~means a measure or measures to mitigate the effects on the National Electricity Transmission System of non-standard frequencies above 50Hz.~~
means revenues received (whether by the licensee or by any other Transmission Licensee or Electricity Distribution Licensee or the ISOP) under the NIC Funding Mechanism in respect of an Eligible NIC 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 NIC Governance Document or the terms of the relevant Project Direction.
Means equipment used to reduce harmonic distortion and resonance in electricity systems.

IIG Baseline Leakage Rate <u>HGV</u>	means the IIG baseline leakage rate as set out within RII0-2 Final Determinations. <u>means a heavy goods vehicle with a gross vehicle weight of no less than 7,000kg.</u>
IIG Exceptional Event <u>Emissions Data Discrepancy</u>	means, <u>in respect of reported leakage of an Insulation and Interruption Gas</u> , an event or circumstance that: <ul style="list-style-type: none"> <u>(c) is beyond a result of the reasonable control inaccuracy of the licensee and results in, causes, original equipment manufacturer (OEM) nameplate labelling of one or prohibits the timely more SF6 assets; and</u> <u>(f)(d) is not capable of prevention of, or the impact of which is not capable of mitigation, by the leakage of an Insulation And Interruption Gas and includes any event or circumstance where the risk of significant danger to the public requires the licensee to prioritise health economical and safety objectives over the reduction of leakage of an Insulation And Interruption Gas at a particular site efficient deployment of measures.</u>
IIG Inventory Exception <u>al Event</u>	means, <u>in respect of the complete list of assets on the licensee's Transmission System that contain leakage of an Insulation and Interruption Gases in tonnes CO2e</u> Gas, an event or circumstance that: <ul style="list-style-type: none"> <u>(a) is beyond the reasonable control of the licensee;</u> <u>(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</u> <u>(c) results in, causes or prohibits the timely prevention of the leakage.</u>
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). <u>(IIGIt)</u> .
Improvement Plan	means a plan of the sort that the licensee was invited to submit at bullet point 2 on page 7 of the document titled 'Ofgem Competent Authority Guidance for Downstream Gas and Electricity in Great Britain' published by the Authority on 30 November 2018. <u>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).</u>

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.

Initial Needs Case Independent Technical Adviser means a document that sets out the licensee's initial view on the need for a LOTI and, in particular, compares alternative options. 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:

(a) solutions that have been trialled by any Network Licensee as part of a RIIO-1 and RIIO-2 Network Innovation Allowance project pursuant to the requirements of the RIIO-1 and RIIO-2 NIA Governance Document or a RIIO-23 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.

Instrument Transformer

~~means a single phase transformer unit that is a high accuracy class electrical device that is used to isolate or transform voltage or current levels.~~

Instrument Transformer Individual

~~means a single phase instrument transformer with a driver specific to that individual asset.~~

Instrument Transformer Family

Insurance

~~means an individual or group of instrument transformer assets, which are replaced on the basis of the condition of other assets produced by the same manufacturer or of the same model. This may also include assets which are on the same circuit, but not of~~

the same variant. 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.

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.

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.

Key Performance Indicators IT means measures to reflect the quality of the licensee's performance to its stakeholders. 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.

Kintyre-Hunterston Transmission Line ITA Call-off Contract means both the onshore and subsea 240MVA AC transmission line extending from the Crossaig substation, through the Sound of Bute and up to and including the transition joint lying within the West Kilbride Golf Course to the north of the landing in Ardsneil Bay, North Ayrshire, together with all associated cables, transformers, switch gear and connections and all other plant and equipment making up or supporting that transmission line, with the benefit, subject to the applicable conditions therein, of all wayleaves or servitude rights relating thereto and where any expressions used in this definition are defined in a transfer scheme, the expressions shall have the same meaning as in such transfer scheme. Means the any contractual agreements entered into between the Authority, the licensee and the party(ies) appointed as the Independent Technical Adviser, in respect of the appointment of the ITA pursuant to the ITA Framework Agreement.

<u>ITA Framework Agreement</u>	<u>means the overall framework of terms and conditions agreed between the Authority and the organisations appointed as the Independent Technical Adviser.</u>
<u>ITA Guidance Document</u>	<u>means the document issued by the Authority under Part B of Special Condition 6.2 (Independent Technical Adviser).</u>
<u>ITA Terms of Reference</u>	<u>means the text of that name issued and maintained by the Authority that contains the description of the services required by Ofgem from the ITA-Independent Technical Adviser.</u>
<u>Kintyre-Hunterston Transmission Line</u>	<u>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.</u>
<u>Landscape Enhancement Initiative Project</u>	<u>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.</u>
<u>Large Van</u>	<u>means a van with a gross vehicle weight of no less than 3,500kg.</u>
<u>Licensed Activity</u>	<u>has the meaning given to the term “Transmission Owner Activity” in Standard Condition B1 (Regulatory Accounts).</u>
<u>Load UIOLI Governance Document</u>	<u>means the document issued by the Authority in accordance with Part CD of Special Condition 3.17 (Load use it or lose it allowance).</u>
<u>Load Re-opener Guidance and Submission Requirements Document</u>	<u>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).</u>
<u>Load Re-opener Output</u>	<u>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:</u> <u>(a) is expected to cost more than £40m of capital expenditure; and</u> <u>(b) is, in whole or in part, load-related.</u>
<u>Load Related Expenditure</u>	<u>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) TO Transmission Owner identified works; (b) supported by</u>

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.

Load Shedding means the disconnection of demand as a measure to ensure the safety and integrity of the National Electricity Transmission System.

Local Area Energy Plan means a plan owned by a local authority that has been
developed in the context of achieving net zero that is the
product of a process:

(a) through and on which a range of stakeholders including the
other Network Licensees and local authorities agree and have
been invited to comment on the optimal long-term energy
solutions for an area; and;

(b) that has been conducted in the context of enabling energy
systems with net zero carbon emissions.

Long-term Monetised Risk 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.

Loss of Supply Event 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, subject to the exceptions set out in the licensee's ENS Compensatory Payment Methodology.

Major Project 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.

Major Project
Fundamental Scope
Change 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.

LOTI Major Projects
ODI-F Delay Event

means the assets constituting an investment in the Transmission System, which investment:

event that:

(a) is outside the licensee's control;

(b) the licensee has used its best endeavours to prevent the occurrence of, and to mitigate the impact of;

(c) causes, or is reasonably expected to cost £100m cause, one or more of capital expenditure; and Major Projects to be delayed by at least 30 days; and

(d) is, caused by one or more of the following:

- 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 whole or obtaining planning approval and consents;
- iv. delays regarding seabed leasing or agreements for interaction with other third-party infrastructure;
- i.v. Extreme Weather Events; extreme weather conditions (lower than 1 in part, load-related, 10 probability);
- vi. pandemic or livestock epizootic;
- vii. significant archaeological discoveries;
- viii. significant change to project scope;
- ix. significant protestor action;
- x. unforeseen and significant ground or seabed conditions;
- xi. changes in law, regulation, and international treaties, applicable to the UK, which are reasonably unforeseeable and which were not foreseen by the licensee; and/or
- xii. unforeseen unexploded ordnance mitigation; and/or
- i.xiii. war, hostilities, or terrorist events.

LOTI Guidance and
Submissions
Requirements
Document Major
Projects ODI-F
Delivered Date

means the document of that name issued by date on which the Authority in accordance with Special Condition 3.13 (Large onshore transmission investment Re-opener) is satisfied that the relevant asset has been Fully Delivered 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 Major Projects ODI-F penalty will not apply following an application under Part

	<u>D of Special Condition 4.8 (Major Projects output delivery incentive (MPI_t)).</u>
<u>LOTI Output Major Projects ODI-F Target Delivery Date</u>	means an output in Appendix 2 to Special Condition 3.13 (Large onshore transmission investment Re-opener). means the date after which the licensee is not eligible for a reward under <u>Special Condition 4.8 (Major Projects output delivery incentive (MPI_t)).</u> the Major Projects ODI-F as <u>stated specified</u> in Appendix 1 or Appendix 2 of Special Condition 4.8 (Major Projects output delivery incentive (MPI _t)).
<u>Major Projects ODI-F Governance Document</u>	means the document issued by the Authority in accordance with Part E of Special Condition 4.8 (<u>Major Projects ODI-F output delivery incentive (MPI_t)</u>).
<u>Managing Director Of Transmission</u>	means a person responsible for the conduct of the Transmission Business and any External Transmission Activities.
<u>Materiality Threshold</u>	has the value £7m.
<u>Medium Sized Investment Project</u>	means a project of the kind listed at paragraph 3.14.6 of Special Condition 3.14 (Medium Sized Investment Projects Re-opener and Price Control Deliverable).
<u>Material Planning Consents</u>	<u>means that the licensee has undertaken – whether statutory or non-statutory – all relevant applications, including applications relevant to the exercise of permitted development rights, before submitting for project assessment. in relation to any applicable PCF project.</u>
<u>Materiality Threshold</u>	<u>for the relevant licensee, has the value: £26.2m.</u>
<u>Mitigating Pre-existing Infrastructure Policy</u>	means the document the licensee is required to update by Part A of Special Condition 3.10 (Visual Impact Mitigation Re-opener and Price Control Deliverable and Enhancing Pre-existing Infrastructure Projects allowance).
<u>Mature Innovation</u>	in relation to the Digitalisation Re-opener means a product or service that has: <ul style="list-style-type: none"> (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 (b) is the result of industry-wide activities relating to the modernisation of regulatory reporting.
<u>Medium Van</u>	<u>means a van with a gross vehicle weight of greater than 2,100kg and less than 3,500kg.</u>
<u>Modification Application</u>	<u>has the meaning given to that term in the CUSC.</u>

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 means the risk benefit delivered or expected to be delivered by an Asset Intervention, which:

(a) is the difference between without intervention and with intervention Monetised Risk;

(b) can be measured over one year or over a longer period of time; and

(c) includes both direct (i.e. on the asset itself) and indirect (i.e. on adjacent assets or on the wider system) risk benefits.

Named Baseline Deliverables means, for the purposes of Special Condition 3.48 (NLRE Named Price Control Deliverable (NPAt)), a non-load related named project or output:

(a) that is specified in Appendix 1 to Special Condition 3.45 with an identified scope and a delivery date; and

(b) for which an **an-baseline** allowance is specified in Appendix 1 to Special Condition 3.48.

Named Pipeline Deliverables means, for the purposes of Special Condition 3.48 (NLRE Named Price Control Deliverable (NPAt)), non-load related named projects or outputs:

(a) that are specified in Appendix 2 of Special Condition 3.48 with an identified scope and indicative delivery date; and

(b) for which no baseline allowance is specified in Appendix 2 to Special Condition 3.48.

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 means the document of that name issued by the Authority and maintained under Special Condition 3.1 (Baseline Network Risk Outputs) that:

(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

(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'.

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 National Cyber Security Centre means the (NCSC) UK's National Cyber Security Centre National Technical Authority on Cyber Security.

NCSC Cyber Assessment Framework means the Cyber Assessment Framework cyber assessment framework (CAF), issued by the UK NCSC, which provides a structured methodology for evaluating and enhancing organisational cyber resilience. It comprises 1416 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 UK's NCSC Cyber Assessment Framework (CAF), each aligned to one of 1416 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".

NCSC CAF Outcomes means the high-level results the framework expects, essentially, the specification of what good cyber resilience looks like. They are written as outcomes, not as a checklist of actions.

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
1st October 2024.

Net Zero And Re-
opener
Development
Fund National Risk
Register

means the use it or lose it allowance provided by Special
Condition 3.5 (Net Zero And Re-opener Development Fund use
it or lose it allowance). means the UK Government's official
public assessment of the most serious risks facing the UK,
including malicious threats, accidents, ~~System F~~failures,
~~N~~natural and ~~E~~environmental ~~H~~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](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.

Net Zero and Re-
opener
Development Fund
Governance
Document Needs
Case

means the documentstage of that name issued by the Authority
in accordance withassessment under Part F of Special
Condition 3.5 (Net Zero And18 (Load Re-opener Development
Fund use it or lose it allowance)-and Price control Deliverable
(LRt)).

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.

Net Zero Fund	for the purpose of Special Condition 5.5 (Net Zero Fund use it or lose it allowance) means an allowance for the licensee to support vulnerable customers and communities and contribute to the Net Zero Carbon Targets.
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 9.40110 (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 Asset Risk Workbook	means the workbook of that name in Microsoft Excel® format issued by the Authority and maintained under Special Condition 3.1 (Baseline Network Risk Outputs) that contains the following data: (a) Baseline Network Risk Outputs; (b) Disaggregated Network Risk Outputs; (c) the baseline funding associated with the Disaggregated Network Risk Outputs; (d) Asset Intervention underlying the Disaggregated Network Risk Outputs; and (e) records of results from Rebasing exercise.
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.
<u>NIANGESO Pension Transfer Costs</u>	means the network innovation allowance provided by Special Condition 5.2 (RIIO-2 network innovation allowance). <u>means pension scheme costs properly incurred by the licensee that</u>

otherwise would not be incurred in the transfer of assets and rights under Schedule 10 of the Energy Act 2023.

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

Funding Governance Document

means the total amount document of funding authorised that name maintained by the Authority for the licensee and other Transmission Licensees and Electricity Distribution Licensees and the ISOP, in accordance with the provisions Part C of the NIC Governance Document, for the purpose Special Condition 7.11 (RIIO-ET1 network innovation competition) of funding Eligible NIC Projects this licence as in force on 31 March 2026.

NIC Funding Mechanism NIS-R

is the mechanism by which the licensee receives the amount of NIC Funding from the ISOP, less any Funding Return. 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.

NIC Governance Document NRO

means the document of that name maintained by the Authority in accordance with Part B of Special Condition 7.11 (RIIO-ET1 network innovation competition). 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. for compliance with the UK Network and Information Systems (NIS) Regulations. This role is mandated under the UK's implementation of the NIS Directive (2018) and its updates.

No Net Loss

means the impacts on biodiversity caused by construction are offset so that no loss remains.

No Net Loss In Biodiversity NOA

means achieving 95-104% of the Biodiversity Unit baseline of a project that is in the licensee's capital delivery arm.

means the Network Options Assessment required by Condition C13 (The Network Options Assessment (NOA) process and reporting requirements) of the Electricity System Operator Licence.

NOA Proceed Signal

means where the outcome of the NOA indicates that a project should continue to be progressed.

NOMs Incentive Methodology

means the document entitled "Network Output Measures (NOMs) Incentive Methodology" published by the Authority on 6

	December 2018, as amended in accordance with Part B of Special Condition 7.10 (Closeout of the RII0-1 Network Outputs).
<u>NOMs Methodology</u>	means the methodology approved under Special Condition 2L (Methodology for Network Output Measures) of this licence as in force on 31 March 2021.
Non-intervention Risk Changes	means the factors set out in the NARM Handbook that are unrelated to the licensee's Asset Interventions and impact the licensee's Outturn Network Risk Outputs.
<u>Non-Load Network</u>	<u>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.</u>
<u>Non-Load Related Expenditure</u>	<u>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.</u>
Non-operational IT Capex	has the meaning given to that term in the RIGs.
<u>Non-Technical Mitigation Projects</u> <u>Non-variant Baseline Allowance</u> <u>Overspend</u>	<u>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.</u> <u>means the summation of ex-ante total expenditure for which there are no adjustable values via an uncertainty mechanism.</u>
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.
<u>Operational Load Management Scheme</u>	<u>means an automated system to change load or generation which responds to either network measurements or ISOP instruction in a pre planned script.</u>
NTMP Value <u>Operator of Essential Services</u>	means the amount of costs for Non-Technical Mitigation Projects that is calculated in accordance with Part A of Special Condition 5.4 (Non-Technical Mitigation Projects allowance). <u>means organisations that provide services deemed critical to the economy and wider society, including essential services such as healthcare, transport, and energy.</u>

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 9.20202 (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 Load Management Scheme Project	means a project which will deploy an overarching control system to ensure relevant transmission assets are not overloaded.
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.
<u>Operational Services Agreement</u>	<u>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.</u>
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.
<u>Outturn Business Support Costs</u>	<u>means outturn costs pertaining to activities categorised under Business Support Costs as listed in the RHO-ET3 Regulatory Instructions and Guidance.</u>
Outturn Network Risk OutputOutputs	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 ~~Output~~Outputs as part of the Authority's assessment of the licensee's overall delivery of its Baseline Network Risk ~~Output~~Outputs.

Outside Planned Works means events ~~not part of scheduled maintenance, refurbishment, or replacement programs funded through baseline allowances.~~ Ensures funding applies only to unforeseen restoration needs.

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 ~~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~~34~~ (Price Control Deliverable Reporting Requirements and Methodology Document).

~~PCFM Guidance means the guidance document issued by the Authority in accordance with Part E of Special Condition 8.2 (Annual Iteration Process for the ET2 Price Control Financial Model).~~

PCFM Variable Values means the values in the table of that name in the ~~ET2~~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
Requirements

means physical security works to CNI on the licensee's property or infrastructure that is mandated by legislation, regulations, policy or other central government requirements.

Physical Security
Upgrade
Programme

means the programme of physical security investment at Critical National Infrastructure sites as mandated by government 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 ~~potential LOTI project~~ Load Re-opener Output or CSNP Re-opener Output or output otherwise listed in appendix 2 of Special ~~Licence~~ Condition 3.15 (Pre-Construction Funding Re-opener and Price Control Deliverable (PCFt and PCFRET)).

Pre-Construction
Works

~~means:~~

means, for the purposes of Special Licence Condition 3.15 (Pre-Construction Funding Re-opener and Price Control Deliverable (PCFt and PCFRET)):

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

(b) project design;

(c) 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;

~~(d) engineering development;~~

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

(ed) tasks associated with wayleaves and easements;

(fe) 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 LOTI 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 Licence Condition 3.15 (Pre-Construction Funding Re-opener and Price Control Deliverable), to the point where all Mmaterial Pplanning Ceconsents have been obtained and project assessment has been determined the project is ready to begin construction.

and

means, for the purposes of licence condition Special Licence Condition 3.201 (Accelerated strategic transmission investment Pre-Construction Funding Re-opener, Price Control Deliverable and Use It Or Lose It Adjustment (APCFt)) 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 to the point of submission of all material planning consent applications project to the point where all material planning consents have been obtained and the project is ready to begin construction, or

developing an ASTI to the point of submission of all material planning consent applications.

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 2013~~2026~~.

Prescribed Rates means:
(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 (PQ) 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.

~~Prescribed Rates~~ means:
(a) ~~business rates in England and Wales; and~~
(b) ~~(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.~~

Price Control Deliverable Means the outputs, delivery dates and associated allowances in Special Conditions 3.2 to, 3.43, 3.6, 3.7, 3.9, 3.10, 3.14, 3.15, 3.17~~18~~ to 3.21, 3.25 and 3.18, ~~28~~ to 3.40 and 3.41.
39.

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 ~~2021~~2026.

Project Assessment Decision means a document of that name setting out the Authority's decision on an application by the licensee under Part BC of Special Condition 3.13 (Large onshore transmission infrastructure), in particular: 18 (Load Re-opener and Price Control Deliverable (LRt), on the Load Re-opener Output and associated allowances.

means a) on document of that name setting out the LOTI Authority's decision on an application by the licensee under Part C of Special Condition 3.18 (Load Re-opener and Price Control Deliverable (LRt)):

a) on the Load Re-opener Output, delivery date and associated allowances to be specified in Appendix 21 to Special Condition 3.13 that condition; and

b) on any additional events that are to be considered Cost And Output Adjusting Events for that LOTI;

with any modifications to Special Condition 3.13 being made under section 11A of the Act Load Re-opener Output.

Project Direction

means a direction issued by the Authority pursuant to the NIC Governance Document setting out the terms to be followed in relation to an Eligible NIC Project as a condition of its funding under the NIC Funding Mechanism.

Protection And Control

means light current equipment used to identify and rectify faults and provide interface to enable switching on the network.

PSUP Solution

means the site physical security upgrade specified by the government.

Qualifying Bidders

has the meaning given in Regulation 2 of the Electricity (Early-Model Competitive Tenders for Onshore Transmission Licences) Regulations 2025.

Qualifying Project

means a network development project that affects the local environment that has either:
(a) passed through and been granted external planning approval;
or
(b) passed through the licensee's internal decision making stage 'network development process gate C'.

RAV

means regulatory asset value.

Rebased Baseline Network Risk OutputOutputs

means a Baseline Network Risk OutputOutputs 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) pending the Authority's approval. If approved by the Authority, the Rebased Baseline Network Risk OutputOutputs will supersede the Baseline Network Risk OutputOutputs for the purposes of Special Condition 3.1 (Baseline Network Risk OutputOutputs).

Rebasing	means the process of modifying the Baseline Network Risk Output <u>Outputs</u> as set out in Part C of Special Condition 3.1 (Baseline Network Risk Outputs).
<u>Regulatory Reporting Pack</u>	<u>means the reporting process required by Standard Condition B15 (Regulatory Instructions and Guidance).</u>
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 <u>at 05:00 and ending on the following 1 April immediately before 05:00.</u>
<u>Related Services</u>	<u>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.</u>
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 9.44 <u>145</u> (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 9.6 <u>7</u> (Disapplication of Relevant Special Conditions) relates.

Relevant Valuation Agency	<p>means:</p> <p>(a) the Valuation Office Agency in England and Wales; and</p> <p>(b) the Scottish Assessors Association in Scotland.</p>
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	<p>means the mechanisms created by:</p> <p>(a) Special Conditions <u>3.7, 3.8, 3.13</u>10, <u>3.16</u>14, <u>3.26</u> and <u>3.28</u>27; and</p> <p>(b) Parts <u>CA</u> and <u>DC</u> of Special Condition 3.2 (Cyber resilience operational technology Re-opener, Price Control Deliverable, <u>cyber resilience Re-opener</u>, and use it or lose it adjustment), Parts <u>A, C, D</u> and <u>DG</u> of Special Condition 3.3 (Cyber resilience information technology Resilience Re-opener and, <u>physical security</u> Price Control Deliverable <u>and Re-opener</u>), Parts <u>CA</u> and <u>D</u> of Special Condition 3.4 (Physical security <u>C of Special Condition 3.6 (Decarbonisation and Environmental Policy Re-opener and Price Control Deliverable)</u>, Parts <u>A, C, D, E and F</u> of Special Condition 3.15 (Pre-Construction Funding Re-opener and Price Control Deliverable), Parts <u>A, B, C, D, and E</u> of Special Condition 3.16 (Advanced Procurement Mechanism), Parts <u>A and C</u> of Special Condition 3.18 (Load Re-opener and Price Control Deliverable), Parts <u>A and D</u> of Special Condition 3.19 (<u>CSNP</u> Re-opener and Price Control Deliverable), Part <u>C</u> of Special Condition 3.6 (Net zero Re-opener and Price Control Deliverable), Part <u>C</u> of Special Condition 3.7 (Non-operational IT Capex Re-opener and Price Control Deliverable), Part <u>D</u> of Special Condition 3.10 (Visual Impact Mitigation Re-opener and Price Control Deliverable and Enhancing Pre-existing Infrastructure Projects allowance), Part <u>C</u> of Special Condition 3.14 (Medium Sized Investment Projects Re-opener and Price Control Deliverable), and Part <u>C</u> of Special Condition 3.15 (Pre-Construction Funding Re-opener and Price Control Deliverable), Part C of Special Condition 3.40<u>20</u> (Accelerated strategic transmission investment Pre-Construction Funding Re-opener, Price Control Deliverable and Use It Or Lose<u>Lost</u> It Adjustment) and Parts <u>C, D and E</u>), <u>Part A</u> of Special Condition 3.41<u>21</u> (Accelerated strategic transmission investment Re-opener and Price Control Deliverable).</p>

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 9.4⁵⁴ (Re-opener Guidance and Application Requirements Document).

Restoration
Time Resilience
Activity

means an activity undertaken by the time it would take licensee in response to energise a part changes to engineering standards, climate resilience, resilience standards, or part emergency protocols and as result of changes in UK Government policy, including:

(a) recommendations made by the ISOP and endorsed by UK Government; or

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

i. System following a Total Shutdown or Partial Shutdown (each as defined in the Grid Code). Failures; or

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

Retail Prices Index

means the monthly values of the "RPI All Items Index", series ID "CHAW", published by the Office for National Statistics (or any other public body acquiring its functions).

Returned Project
Revenues

means:

(a) revenues received by the licensee from the ISOP under the NIC Funding Mechanism in respect of an Eligible NIC Project that the Authority determines have not been spent, and where that Eligible NIC Project has been carried out in accordance with the applicable provisions of the NIC Governance Document or the terms of the relevant Project Direction; and

(b) revenues earned from Eligible NIC Projects by the licensee other than Returned Royal Income.

Returned Royalty
Income

means revenue earned from intellectual property generated through Eligible NIC Projects (whether undertaken by the licensee or any other electricity Transmission Licensee and Electricity Distribution Licensees and the ISOP), less Directly Attributable Costs, that is payable to customers under the NIC Funding Mechanism, as calculated in accordance with the provisions of the NIC Governance Document.

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-1 Justified Material Over-delivery~~

~~means the delivery of a higher level of risk mitigation than a RIIO-1 Network Output or RIIO-1 Materially Equivalent Output, where that higher level of risk mitigation delivery is justified in accordance with the RIIO-1 NOMs Principles.~~

~~RIIO-1 Justified Material Under-delivery~~

~~means the delivery of a lower level of risk mitigation than a RIIO-1 Network Output or RIIO-1 Materially Equivalent Output, where that lower level of risk mitigation delivery is justified in accordance with the RIIO-1 NOMs Principles.~~

~~RIIO-1 Materially Equivalent Output~~

~~means an equivalent level of risk to a RIIO-1 Network Output.~~

~~RIIO-1 Network Innovation Allowance~~ 2 NIA

means the arrangements established by Special Condition 3H (The 5.2 (RIIO-2 Network Innovation Allowance) of this licence as in force on 31 March ~~2021~~ 2026).

~~RIIO-1 Network Output~~

~~means the network replacement outputs as set out in Table 1 of Special Condition 2M (Specification of Network Replacement Outputs) of this licence as in effect on 31 March 2021.~~

~~RIIO-1~~ 2 NIA Governance Document

means the document issued by the Authority in accordance with Part ~~E~~ B of Special Condition 3H (The 5.2 (RIIO-2 Network Innovation Allowance) as in force on 31 March ~~2021~~ 2026).

~~RIIO-1 NOMs Principles~~

~~means the principles set out in Chapter 2 of the document titled 'Network Output Measures (NOMs) Incentive Methodology' published by the Authority on 6 December 2018.~~

~~RIIO-2~~ 3 Final Determinations

means the documents published by the Authority on ~~8~~ 4 December 2020 (and subsequently updated on 3 February ~~2021~~ 2025 setting out the Authority's decisions in relation to the Price Control Period.

~~RIIO-2~~ 3 NIA Governance Document

means the document issued by the Authority in accordance with Part B of Special Condition 5.2 (RIIO-~~2~~ 3 Network Innovation Allowance).

~~RIIO-2~~ 3 NIA Projects

means those projects undertaken by the licensee that appear to the Authority to satisfy such requirements of the RIIO-~~2~~ 3 NIA Governance Document as are necessary to enable the projects to be funded under the provisions of Special Condition 5.2 (RIIO-~~2~~ 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.
<u>RIIO-ET2</u>	<u>means the price control that applies to the licensee for the period of five years beginning on 1 April 2021.</u>
<u>RIIO-ET3</u>	<u>means the price control that applies to the licensee for the period of five years beginning on 1 April 2026.</u>
RIIO-ET2	means the price control that applies to the licensee for the period of five years beginning on 1 April 2021. means the document of that name submitted by the licensee to the Authority on 9 <u>11</u> December 2019 <u>2024</u> .
RIIO-ET2 <u>ET3</u> <u>Business Plan Data Template</u>	
RPEs	means Real Price Effects as defined in <u>Appendix 1 to the ET2</u> ET3 Price Control Financial Handbook.
<u>Second Transitional Centralised Strategic Network Plan (tCSNP2)</u>	means the <u>NESOISOP</u> 's plan for a coordinated onshore and offshore network design 'Beyond 2030' published in March 2024.
<u>Second Transitional Centralised Strategic Network Plan Refresh</u>	means the <u>NESOISOP</u> '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.
SF6 Alternative Gas <u>Senior Accounting Officer Certificate (SAO2)</u>	means an Insulation and Interruption Gas, but does not include sulphur hexafluoride. <u>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.</u>

SF6 Intervention Plan Shared Drivers means a plan to reduce SF6 emissions or remove equipment that contains SF6 from the Transmission System; and that complies with the requirements of the relevant appendix to the Re-opener Guidance and Applications Requirements Document; means related reinforcement works on existing or new substations, overhead lines OHL 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.

Shetland HVDC Link SHET Redacted Information Document means the high voltage electric lines and electrical plant which: (a) comprise latest version of the following components:
(i) a 600MW HVDC cable system, document of that name sent by the sole purpose of which is Authority to transmit electricity between a converter station at Upper Kergord on Shetland and an HVDC switching station at Noss Head near Wick on the Scottish mainland, both within the area specified in the Electricity Act 1989 (Uniform Prices in the North of Scotland) Order 2005, via a single circuit onshore and subsea cable corridor route contained within:
(A) the territorial sea adjacent to the United Kingdom as defined in The Territorial Waters Order in Council 1964, The Territorial Sea Act 1987, the Territorial Sea (Baselines) Order 2014 or The Territorial Sea (Amendment) order 1998 or as defined in the United Nations Convention on the Law of the Sea Part II Section II Articles 3-5;
(B) any Renewable Energy Zone; and
(C) the continental shelf as designated under section 1(7) of the Continental Shelf Act 1964 or The Continental Shelf (Designation of Areas) Order 2013, or as defined in the United Nations Convention on the Law of the Sea Part VI Article 76;
(ii) those converter and switching stations at each end of the HVDC cable system described in sub-paragraph (i) to facilitate the conversion of power licensee containing information redacted from alternating current at Upper Kergord, to direct current for export to the mainland national electricity transmission system and to complete a multi-terminal HVDC system with the existing Caithness Moray HVDC Link via the Noss Head switching station;
(iii) cables to connect the HVDC converter station described in sub-paragraph (ii) to an alternating current substation at Upper Kergord on Shetland; and,
(iv) cables and tie-in works with the existing Caithness Moray HVDC Link at Noss Head; and

	(b) does not transmit electricity for the purposes of offshore transmission as defined in the Act <u>this licence.</u>
Shetland HVDC Link Covid Costs	means costs incurred in relation to the Shetland HVDC Link up to £10.4m that are directly attributable to the ongoing covid pandemic and not covered by any insurances or contractual arrangements.
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 <u>2019</u> (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.
<u>SONIA Site Separation</u>	<u>means the daily values of the sterling overnight index average, series ID "IUDSOIA", published by the Bank of England (or any other public body acquiring its functions). 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.</u>
<u>Small Van</u>	<u>means a van with a gross vehicle weight of no more than 2,100kg.</u>

SO-TO Optimisation Governance Document	means the document issued by the Authority under Part B of Special Condition 4.7 <u>6</u> (SO-TO optimisation output delivery incentive).
SO-TO Optimisation Solutions	has the meaning given to that term in the SO-TO Optimisation Governance Document. means solutions, accepted by the ISOPNESO in line with the STCP11-4 provision where the service has been identified as having a positive impact in assisting the ISOPNESO in minimising costs on the GB Transmission Network.
Stakeholder Engagement RewardSpecified Duties	means the reward provided for in Part B of Special Condition 3D (Stakeholder Satisfaction Output) of this licence as in force on 31 March 2021; means the obligations pursuant to Special Condition 9.1 <u>98</u> (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 9.1 <u>87</u> (Prohibited Activities and Conduct of the Transmission Business).
Stakeholder Engagement Reward GuidanceStage One Commissioning	means the document of that name maintained by the Authority in accordance with Part C of Special Condition 7.6 (Close out of the RHO-ET1 stakeholder satisfaction output). means a process the licensee follows to confirm that all asset installation activities within its control are completed, and a stagepart 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 9.4 <u>213</u> (Basis of Transmission Owner Charges).
STC	has the meaning given to that term by Standard Condition A1 (Definitions and interpretation).
STCP11. STCP 11-4 Enhanced Service Provision	means the procedure of that name that is published on the ISOP's website https://www.nationalgrideso.com/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/ .

Subsea Cable means components of circuits in the licensee's Transmission System that are installed in the sea, ocean or other large body of water.

Subsea Cable Fault means when a Subsea Cable cannot be operated in accordance with the circuit design specification due to the loss of or damage to that Subsea Cable.

Subsea Cable Repair means the remedial works that a licensee undertakes to repair or replace a Subsea Cable that cannot be operated in accordance with the circuit design specification due to the loss of or damage to that Subsea Cable.

Successful Delivery Reward Supply Chain Constraint has the meaning given to that term by the NIC Governance Document. 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.

tCO₂e 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. ~~means tonnes of carbon dioxide equivalent emissions.~~

Tender Support Activities Tax Reconciliation ~~means the reconciliation between the licensee's Calculated Tax Allowance and its Actual Corporation Tax Liability as reported to the Authority as part of the ET2 Price Control Financial Model.~~ means any activity undertaken by the licensee under or pursuant to Special Condition 9.2 **12** (Tender Support Activities in onshore electricity transmission).

TO Construction Agreement Tax Strategy ~~has the meaning given to that term in Schedule 19 to the Finance Act 2016, as amended from time to time.~~ STC.

<u>Total NIA Expenditure</u> <u>Tender Support Activities</u>	means any activity undertaken expenditure that satisfies the requirements of the RII0-3 NIA Governance Document and is <u>partly recovered</u> by the licensee under or pursuant to Part A of Special Condition 9.20 (Tender Support Activities in onshore electricity transmission 5.2 (RIIO-3 Network Innovation Allowance)).
<u>Time Value of Money Adjustment</u> <u>Totex Allowance</u>	has means the meaning given to that term <u>sum of values under the headings “Variant Totex allowances” and “Non-variant allowances”</u> in the glossary “ <u>Licensee Select Input</u> ” sheet of the ET2/ET3 Price Control Financial Handbook Model.
<u>Timely Connections Obligations</u> <u>Totex Incentive Mechanism</u>	means the requirements on the licensee to make timely offers of connection terms as set out in Standard Condition D4A (Obligations in relation to offers for connection etc) and paragraph 4.8 in Part 2 of Section D of the STC (subject to paragraph 4.9 of that same Part); <u>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:</u> (a) <u>the licensee’s Totex Allowance; and</u> (b) <u>the licensee’s Actual Totex.</u>
<u>Totex Allowance</u> <u>Incentive Mechanism Rate</u>	means <u>has</u> the sum of values under the heading “Totex allowance” <u>value set out in the “Input” sheet</u> TIM tab of the ET2/ET3 Price Control Financial Model.
<u>Totex Incentive Mechanism</u> <u>TP Regulatory Years</u>	means the mechanism within the ET2 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: —(a) <u>the licensee’s Totex Allowance; and</u> —(b) <u>the licensee’s actual totex expenditure.</u> <u>means a period of twelve months beginning on 1 April in any calendar year and ending on 31 March of the following calendar year, used for the purposes of Transmission Price Control reporting and obligations.</u> <u>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.</u>
<u>Totex Incentive Strength</u> <u>Type Fault</u>	has the value 36%

	<u>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.</u>
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.
<u>Track 1</u>	<u>means projects that the licensee that can apply directly for a Project Assessment Decision under Part C of Special Condition 3.18 without submitting a Needs Case under Part E.</u>
<u>Track 2</u>	<u>means projects that do not require a separate Needs Case submission allowing the licensee to apply for a Project Assessment Decision under Part C of Special Condition 3.18 without first obtaining the Authority's approval of the Needs Case under Part E.</u>
<u>Track 3</u>	<u>means projects where the licensee is required to obtain the Authority's approval of the Needs Case under Part E before applying for a Project Assessment Decision under Part C. This route may also apply to projects with an estimated investment exceeding £300 million.</u>
Transmission Area	<p>Means <u>the area that comprises:</u></p> <p><u>(a) the area specified in the Electricity Act 1989 (Uniform Prices in the North of Scotland) Order 2005 made on 1 April 2005; and,</u></p> <p><u>(b) the Kintyre-Hunterston Transmission Line up to and including the transition joint lying within the West Kilbride Golf Course to the north of the landing point at Ardnail Bay; and,</u></p> <p><u>(c) the subsea corridor within the territorial sea adjacent to Great Britain or within any Renewable Energy Zone or within an area designated under section 1(7) of the Continental Shelf Act 1964, that any part of the Caithness Moray HVDC Link and, the Shetland HVDC Link or the Eastern 2 HVDC Link owned by the licensee passes through, but excluding the Cruachan Transmission Line.</u></p>
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

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:

(a) the need not to exceed the thermal rating of any asset forming part of the National Electricity Transmission System;

(b) the need to maintain voltages on the National Electricity Transmission System; and

(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.

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.

Transitional
Services Agreement

agreement between the Licensee and National Grid (or its affiliates) for the provision of transitional services required to support the separation and establishment of the National Energy System Operator (NESO), including IT, operational, and administrative services, for a defined period post-separation.

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	includes 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.
Untimely Offers	means connection offers made other than in accordance with the licensee's Timely Connections Obligations.
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 <u>IT or OT</u>, 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) <u>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 operational technology Re-opener, Price Control Deliverable and, cyber resilience Re-opener, and cyber resilience use it or lose it adjustment),</u>; <u>(use it or lose it (CYUt))</u>;</p> <p>(b) developing projects in preparation for Re-openers in relation to the licensee's stated aims of the allowance provided by Special Condition 3.5 (Net Zero And Re-opener Development Fund.6 (Carbon Compensation use it or lose it allowance); <u>as set out in the licensee's Environmental Action Plan which will not exceed the allowance provided;</u></p> <p>(c) the purpose of the Net Zero Fund, in relation to Special Condition 5.5 (Net Zero Fund use it or lose it allowance); or</p> <p>÷</p> <p>(d) delivering the outputs associated with ASTI Pre-Construction Funding in relation to Special Condition 3.4020 (ASTI Pre-construction Funding Re-opener, Price Control Deliverable and Use It Or Lose It Adjustment);</p> <p>which will not exceed the allowance provided <u>(d) delivering load investment projects in relation to Special Condition 3.17 (Load use it or lose it allowance); or</u></p> <p><u>(e) incurring expenditure in relation to Special Condition 3.13 (Closely Associated Indirects use it or lose it allowance, CAI).</u></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.
Visual Impact Mitigation Price Control Deliverables	means the outputs, delivery dates and allowances set out in Appendix 1 to Special Condition 3.10 (Visual impact mitigation Re-opener and Price Control Deliverable and Enhancing Pre-existing Infrastructure Projects allowance).
User Progression Milestone	means the vanilla weighted average cost of capital for the licensee as derived by the Authority in accordance with the ET2 Price Control Financial Handbook. <u>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.</u>
<u>WACC</u> Western HVDC Link	means the high voltage electric lines and electrical plant which comprise the following components: <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. <u>means the vanilla weighted average cost of capital for the licensee as derived by the Authority in accordance with the ET3 Price Control Financial Handbook.</u></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) Total NIA Expenditure ~~means expenditure that satisfies the requirements of the RHO-2 NIA Governance Document and is partly recovered by the licensee under the Special Condition 5.2 (RHO-2 network innovation allowance).~~ 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 ~~Introduction~~ 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) insert immediately after the definition of "Section E (offshore transmission owner standard conditions) Directions" and the definition of "statutory accounts":

"separate business"

means each or any of:

(a) any supply business of (i) the licensee or (ii) an affiliate or related undertaking of the licensee;

(b) any distribution business of (i) the licensee or (ii) an affiliate or related undertaking of the licensee;

(c) any generation business of (i) the licensee or (ii) an affiliate or related undertaking of the licensee;

(d) any interconnector business of (i) the licensee or (ii) an affiliate or related undertaking of the licensee;"

(b) at the definition of "transmission business" delete sub-paragraph (i) and all subsequent text up to, but not including, the definition of "transmission owner activity" and insert in its place the following new sub-paragraphs:

(c) "any other separate business;

(d) any business of the licensee or any affiliate or related undertaking in the provision of settlement services in connection with the BSC or the Pooling and Settlement Agreement; or

(e) any other business whether or not a separate business of the licensee or any affiliate or related undertaking in the provision of services to or on behalf of any one or more persons.”

Chapter 2: Revenue Restriction

Special Condition 2.1 Revenue restriction

Introduction

- 2.1.1 The purpose of this condition is to ~~ensure that place obligations on~~ the licensee ~~sets in relation to the setting of~~ Network Charges ~~to aim to recover no more than~~ Allowed Revenue.
- 2.1.2 This condition also ~~establishes the definition of~~ Recovered Revenue (RR_t) and provides ~~the formula for the calculation of the term~~ AR_t (the ~~offer~~ Allowed Revenue ~~term~~ AR_t).

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

- 2.1.3 The licensee must, when ~~setting Network Charges notifying the ISOP of its~~ Allowed Revenue, use its best endeavours to ensure that ~~Recovered Revenue does not exceed~~ Allowed Revenue is calculated in accordance with this **special 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)

- ~~2.1.4~~ 2.1.7 ~~Recovered Revenue (RR_t) means the revenue (measured on an accruals basis) derived~~ 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 the 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 ~~derived~~ received.

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

- ~~2.1.5~~ 2.1.8 The value of AR_t is derived in accordance with the following formula:

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

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;

$ADJR_{\epsilon}^*PI_{2023/24}$ means adjusted revenue as issued to the licensee by the Authority pursuant to paragraph 8.2.10 of Special Condition 8.2 (Annual Iteration Process price index term for the ET2 Price Control Financial Model) prior to the start of Regulatory Year ϵ 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 HF of this condition; and

$BRFP_t$ means the bBase rRevenue 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 Adjusted Revenue ($ADJR_t$)

2.1.6 — The value of $ADJR_{\epsilon}$ is derived in accordance with the following formula:

$$ADJR_{\epsilon} = R_{\epsilon} \frac{PI_{\epsilon}}{PI_{2018/19}} + ADJ_{\epsilon}$$

— where:

R_{ϵ} means the Calculated Revenue term calculated in accordance with Paragraph 2.1.7 of this condition;

PI_{ϵ} means the price index term derived in accordance with Part F; and

ADJ_{ϵ} means the AIP adjustment term derived in accordance with Part G.

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

2.1.7 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 ET2ET3 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 ET2ET3 Price Control Financial Model;

- RTN_t means return and has the value set out in the “Revenue” sheet of the ~~ET2~~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 ~~ET2~~ET3 Price Control Financial Model;
- DRS_t means Directly Remunerated Services and has the value set out in the “Revenue” sheet of the ~~ET2~~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 ~~ET2~~ET3 Price Control Financial Model, ~~unless the Authority directs otherwise under Special Condition 4.8 (Consumer value proposition);~~
- 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 ~~ET2~~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 F:~~Part E: Formula for calculating the price index term (PI_t)

~~2.1.8~~2.1.10 The value of PI_t is the arithmetic average value 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:

$$PI_m = \begin{cases} RPI_m, & \text{if } m < \text{April 2021} \\ PI_{m-1} \left(0.5 \frac{CPIH_m}{CPIH_{m-1}} + 0.5 \frac{RPI_m}{RPI_{m-1}} \right), & \text{if } m = \text{April 2021} \\ PI_{m-1} \cdot \frac{CPIH_m}{CPIH_{m-1}}, & \text{if } m > \text{April 2021} \end{cases}$$

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

where:

where: refers to a year and month;

m

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

Part G: ~~AIP~~ adjustment term (ADJ_t)

2.1.9 — For the Regulatory Year commencing on 1 April 2021, the value of ADJ_t is zero.

2.1.10 — For subsequent Regulatory Years, the value of ADJ_t is derived in accordance with the following formula:

$$ADJ_t = (ADJR_{t-1} - ADJR_{t-1}^*)(1 + TVM_{t-1})$$

— where:

~~$ADJR_t$~~ is derived in accordance with Part D;

~~$ADJR_t^*$~~ means adjusted revenue most recently published by the Authority pursuant to Part B of Special Condition 8.2 (Annual Iteration Process for the ET2 Price Control Financial Model) prior to the start of Regulatory Year t; and

~~TVM_t~~ means the time value of money term derived in accordance with paragraph 2.1.11.

2.1.11 — The value of TVM_t is derived in accordance with the following formula:

$$TVM_t = (1 + WACC_t) \frac{PI_{t+1}}{PI_t} - 1$$

— where:

~~$WACC_t$~~ means the vanilla weighted average cost of capital for the licensee as derived by the Authority in accordance with the ET2 Price Control Financial Handbook; and

~~PI_t~~ means the price index derived in accordance with Part F.

Part H: ~~Part F:~~ Correction term (K_t)

2.1.12 ~~2.1.11~~ For the Regulatory Year ~~Years~~ commencing ~~prior to or~~ on 1 April ~~2020~~ 2026, the value of ~~K_t~~ is zero.

2.1.13 ~~2.1.12~~ For subsequent Regulatory Years commencing after 1 April 2026, the value of K_t is derived in accordance with the following formula:

$$K_t = (AR_{t-1} - RR_{t-1})(1 + I_{t-1} + 1.15\%)(1 + nomWACC_{t-1})$$

where

~~AR_t~~ For Regulatory Years commencing on or after 1 April 2021 2026 AR_t is derived in accordance with Part C. ~~For the Regulatory Year commencing on 1 April 2020 AR_t has the value of Allowed Transmission Owner Revenue derived in accordance with Part B of Special Condition 3A (Restriction~~

~~of Transmission Network Revenue)~~ of this licence as in force on 31 March 2021;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 ~~of SONIA~~ set out in the “AllowedRevenueAR” sheet of the ET3 Price Control Financial Model.

2.1.13 The value of K_t is in nominal prices.

Part G: Base rRevenue 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:

$$BRFP_t = (BR_{t-1} - BR_{t-1}^*) \times \frac{PI_{t-1}}{PI_{2023/24}} \cdot BRFPA_{t-1} \times \begin{cases} 1.15\% & \text{if } BR_{t-1}^*/BR_{t-1} \geq 1.10 \\ -1.15\% & \text{if } BR_{t-1}^*/BR_{t-1} \leq 0.90 \\ 0, & \end{cases}$$

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 $BRFPA_t$ 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 $BREF_t$ 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 ~~following a review of material, unexplained differences between the licensee's Calculated Tax Allowance, and its Actual Corporation Tax Liability,~~ in accordance with Chapter 6 of the ~~ET2~~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 ~~of~~ 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 ~~RHO-GDET3~~ 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:
- ~~(b)~~(a) provide the Authority and the Appropriately Qualified Independent Examiner with access to any material, unexplained relevant information that they may require to examine the differences between the licensee's Calculated Tax Allowance and its Actual Corporation Tax Liability, in accordance with Chapter 6 of the ET2 Price Control Financial Handbook;
and
- ~~2.2.4~~ Where the Authority notifies the licensee that it has decided to undertake a tax review and given the reasons for that decision, the licensee must:
- ~~(a) procure an Appropriately Qualified Independent Examiner to examine the differences between the licensee's Calculated Tax Allowance and its Actual Corporation Tax Liability and submit a report to the Authority;~~
- ~~(b) carry out any reasonable steps specified by the Authority for such a procurement and comply with any requirements reasonably specified by the Authority as to the terms~~ or the Appropriately Qualified Independent

Examiner for the purposes of appointment of the Appropriately Qualified Independent Examiner; the tax review.

- ~~(c) ensure that the Appropriately Qualified Independent Examiner carries out the work within the scope, and by the date, reasonably specified by the Authority and the examiner after discussing with the examiner; and~~
- ~~(d) send to the Authority a report from the Appropriately Qualified Independent Examiner in the form, and containing the content, specified by the Authority following discussion with the examiner.~~

2.2.5 — Following receipt completion of the Appropriately Qualified Independent Examiner's report, review the Authority will:

- ~~(a) may direct any an~~ adjustment to the value of the TAXA_t term ~~that it considers should be made taking account of the report if required,~~ in accordance with Chapter 6 of the ~~ET2~~ET3 Price Control Financial Handbook; and

2.2.6 ~~specify~~ specifying the Regulatory Years to which that adjustment relates.

Part B: ~~What~~The process will the Authority follow in for making a direction?

2.2.7 Before making a direction under paragraph 2.2.6, the Authority ~~will~~ 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
- ~~(a) the text of the proposed direction;~~
- ~~(b)(a) 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 not be less than 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 ~~ET2~~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:

$$RTNA_t = RTNR \cdot \frac{RAVL_t \cdot (1 - G)}{\sum_{t=\frac{2025}{26}}^{\frac{2030}{31}} \frac{RAVL_t \cdot (1 - G)}{2026/27}}$$

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 ~~ET2~~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:

$$RTNR = \sum_{t=\frac{2025}{26}}^{\frac{2030}{31}} \frac{RAVL_t \cdot (1 - G)}{2026/27}$$

$$\{ - \left(- \text{MAX}(\text{MIN}(\text{OPP}, T2) - T1, 0) \cdot AR1 - \text{MAX}(\text{OPP} - T2, 0) \cdot AR2 \right) \}$$

where:

$RAVL_t$ means the RAV value for the licensee and has the value derived in accordance with the ~~ET2~~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 ~~ET2~~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:

$$RTNR = \sum_{t=2021/22}^{2025/26} RAVL_t \cdot (1 - G) \cdot$$

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

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

where each term has the meaning given in paragraph 2.3.7.

Part C: ~~What~~The process will the Authority follow ~~infor~~in 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 ~~not be less than 28 days~~ 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 Baseline Network Risk Outputs (NARM_t)

Introduction

3.1.1 This condition specifies the value of the term NARM_t (the Baseline Allowed NARM Expenditure term), which contributes to the calculation of the Totex Allowance.

3.1.2 The purpose of this condition is to:

- (a) set out the Baseline Network Risk Outputs that the licensee is funded to deliver;
- (b) provide for a mechanism to adjust funding and for the application of a penalty in certain circumstances;
- (c) provide for the Rebasing of Baseline Network Risk Outputs; and
- (d) require the licensee to provide a close out report.

3.1.3 This condition also establishes:

- (a) ~~The~~ NARM Handbook;
- (b) the Network Asset Risk Workbook; and
- (c) a robust and transparent change control framework for those documents.

Part A: Value of the Baseline Allowed NARM Expenditure term (NARM_t)

3.1.4 The value of NARM_t is set out in Appendix 1.

~~3.1.5 [Not used]~~

3.1.5 NOT USED

Part B: Requirement to deliver Baseline Network Risk Outputs

3.1.6 The licensee is funded to deliver, by the end of the Price Control Period, its Baseline Network Risk Outputs as set out in Appendix 1.

3.1.7 Where the Outturn Network Risk Outputs are different to the Baseline Network Risk Outputs, any funding adjustments and penalties will be calculated by the Authority in accordance with the NARM Handbook and using the data in the Network Asset Risk Workbook.

Part C: Rebasing of Baseline Network Risk Outputs

3.1.8 The licensee must, when submitting Rebased Baseline Network Risk Outputs in accordance with Part C of Special Condition 9.2 (Network Asset Risk Metric methodology), ensure that the Rebased Baseline Network Risk Outputs are:

- (a) calculated using the NARM Methodology approved under paragraph 9.2.98 of Special Condition 9.2;
- (b) representative of the same assumed volume and type of intervention for each NARM Asset Category as assumed in the setting of the Baseline Network Risk Outputs;

- (c) Equally Challenging as the Baseline Network Risk Outputs; and
- (d) in the same format as the Network Asset Risk Workbook.

3.1.9 Where the licensee proposes Rebased Baseline Network Risk ~~Output~~Outputs in accordance with Part C of Special Condition 9.2, the Authority will consider the proposal and by direction:

- (a) approve it, in cases where the Rebased Baseline Network Risk Outputs meet the criteria in paragraph 3.1.8;
- (b) approve it with adjustments, in cases where the adjustments are necessary to enable the Rebased Baseline Network Risk Outputs to meet the criteria in paragraph 3.1.8; or
- (c) reject it, in cases where the Rebased Baseline Network Risk Outputs do not meet the criteria set out in paragraph 3.1.8 and the Authority is unable to adjust them to make them satisfy those criteria.

3.1.10 Before issuing a direction under paragraph ~~3.1.8~~ 3.1.9, 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 for the proposed direction; and
- (d) a period during which representations may be made on the proposed direction, which will ~~not be less than 28 days~~ be up to 28 days unless the Authority determines that a longer period is appropriate.

3.1.11 Where the Authority approves Rebased Baseline Network Risk Outputs under paragraph 3.1.9(a) or (b):

- (a) the Rebased Baseline Network Risk Output will supersede the Baseline Network Risk Outputs for the purposes of this condition; and
- (b) the direction under paragraph 3.1.9(a) or (b) will modify Appendix 1 to reflect this.

Part D: Requirement to provide a closeout report

3.1.12 ~~On or before 31 October 2026,~~ The licensee must provide to the Authority a report, together with detailed supporting evidence, setting out the following requested information in (a) to (e) below of this condition. The report should be provided on or before 31 October 2026 for RIIO-2 and on or before 31 October 2031 for RIIO-3. The requested information is:

- (a) the licensee's Outturn Network Risk Outputs and a breakdown of those Outturn Network Risk Outputs in the manner specified by the Authority by direction under Standard Condition B15 (Regulatory Instructions and Guidance);
- (b) the costs incurred by the licensee in delivering its Outturn Network Risk Outputs and a breakdown of those costs in the manner specified by the Authority by direction under Standard Condition B15 (Regulatory Instructions and Guidance);
- (c) details of any Non-intervention Risk Changes, including the associated impact on Baseline Network Risk ~~Output~~Outputs or Outturn Network Risk Outputs;

- (d) justification cases for any portions of over-delivery or under-delivery against Baseline Network Risk Outputs that the licensee considers to be justified; and
- (e) details of any portions of over-delivery or under-delivery against Baseline Network Risk Outputs that the licensee considers qualify as 'clearly identifiable over-delivery' or 'clearly identifiable under-delivery' as per the criteria set out in the NARM Handbook.

Part E: The NARM Handbook

- 3.1.13 The NARM Handbook forms part of this condition.
- 3.1.14 The Authority will publish the NARM Handbook on the Authority's Website.
- 3.1.15 The Authority may make modifications under this Part at any time during the Price Control Period, but only when it becomes aware of modifications of the type set out in paragraph 3.1.16 that if made would improve the clarity or usefulness to users of the NARM Handbook.
- 3.1.16 The following categories of modifications may be made under this Part:
 - (a) formatting changes such as re-numbering of paragraphs, capitalising defined terms, renaming or re-ordering of sections;
 - (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~~changes required to reflect modifications made to the special conditions of this licence such as amendments made to Appendix 1 or the Network Asset Risk Workbook;
 - (e) correction of manifest errors; and
 - (f) changes to the guidance provided by the NARM Handbook.
- 3.1.17 Before amending the NARM Handbook by direction, the Authority will publish on the Authority's Website:
 - (a) the text of the ~~amended~~proposed amendments to the NARM Handbook;
 - (b) the date on which the Authority intends the ~~amended~~proposed amendments to the NARM Handbook to come into effect;
 - (c) the reasons for the proposed amendments to the NARM Handbook; and
 - (d) a period during which representations may be made on the proposed amendments to the NARM Handbook, which will ~~not be less than~~up to 28 days unless the Authority determines that a longer period is appropriate.
- 3.1.18 The Authority will ensure that any modifications of the NARM Handbook, whether under this Part or otherwise, are promptly incorporated into a consolidated version of the NARM Handbook maintained on the Authority's Website.

Part F: The Network Asset Risk Workbook

- 3.1.19 The Network Asset Risk Workbook forms part of this condition.

3.1.20 The Authority will:

- (a) send to the licensee the Network Asset Risk Workbook; and
- (b) publish a redacted version of the Network Asset Risk Workbook on the Authority's Website.

3.1.21 The Authority may make modifications under this Part at any time during the Price Control Period, but only when it becomes aware of modifications of the type set out in paragraph 3.1.22 that if made would improve the clarity or usefulness to users of the Network Asset Risk Workbook.

3.1.22 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 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 of this licence such as amendments made to Appendix 1 or the NARM Handbook; and
- (e) correction of manifest errors.

3.1.23 Before amending the Network Asset Risk Workbook by direction, the Authority will publish on the Authority's Website:

- (a) the ~~amended~~ proposed amendments to the Network Asset Risk Workbook;
- (b) the date on which the Authority intends the ~~amended~~ proposed amendments to the Network Asset Risk Workbook to come into effect;
- (c) the reasons for the proposed amendments to the Network Asset Risk Workbook; and
- (d) a period during which representations may be made on the proposed amendments to the Network Asset Risk Workbook, which will ~~not be less than~~ up to 28 days unless the Authority determines that a longer period is appropriate.

3.1.24 The Authority will:

- (a) ensure that any modifications of the Network Asset Risk Workbook, whether under this Part or otherwise, are promptly incorporated into a consolidated version of the Network Asset Risk Workbook;
- (b) send the consolidated version to the licensee; and
- (c) maintain a redacted consolidated version on the Authority's Website.

Appendix 1

Cumulative total of Baseline Network Risk Outputs (R£m*) and Baseline Allowed NARM Expenditure (NARM_t) excluding RPEs for delivering Baseline Network Risk Outputs (£m)

	Cumulative total of Baseline Network Risk Output (R£m*) and Baseline Allowed NARM Expenditure (NARM _t) for delivering Baseline Network Risk Outputs (£m)						
	Baseline Network Risk Output (R£m)	Baseline Allowed NARM Expenditure, excluding RPEs (£m)	NAR M _t (£m)	NAR M _t (£m)	NAR M _t (£m)	NAR M _t (£m)	NAR M _t (£m)
	2021/22	2022/23	2023/24	2024/25	2025/26	RHO -2 Total	
	8,833.36	92.60	156.83	153.22	216.76	110.18	61
Licensed	Baseline Network Risk Output (R£m)						RII O-3 Total
SHE T							
	1,433.79 TBC						

* R£m is the unit used to denote Monetised Risk values.

Special Condition 3.2 Cyber resilience operational technology Re-opener, Price Control Deliverable, cyber resilience Re-opener, and cyber resilience use it or lose it adjustment ($CROT_t$ and $CROTRE_t$)(CY_t , $CYRE_t$, CYU_t)

Introduction

3.2.1 ~~Introduction~~ The purpose of this condition is to calculate the terms $CROT_t$, CY_t (the cyber resilience ~~OT baseline~~ Price Control Deliverable term) and $COTRE_t$, $CYRE_t$ (the cyber resilience ~~OT non-baseline~~ Re-opener term), and CYU_t (the cyber resilience use it or lose it allowance). These contribute to the calculation of the Totex Allowance.

~~3.2.21.1.1 The effect of this condition is to:~~

~~3.2.2 establish~~ The effect of this condition is to:

- (a) specify in the Cyber Resilience OT Baseline Allowances Table (in Appendix 1) the cyber resilience baseline allowances;
- (b) establish the Cyber Resilience OT PCD Table, which specifies the outputs, delivery dates and associated allowances for cyber resilience in relation to OT; the Price Control Deliverables in the Cyber Resilience PCD Table (in Appendix 2); in the instance of CY_t and CYRE_t;
- (c) require the licensee to take all reasonable steps to deliver in accordance with specify the associated allowances for the cyber resilience use it or lose it in the Cyber Resilience OT PCD UIOLI Allowances Table; (in Appendix 4);
- (d) require the licensee to submit establish that the allowances for UIOLI use it or lose it have achieved the intended cyber resilience in terms of needs;:
- (d) establish a Cyber Resilience OT Plan at the start of the Price Control Period;
- (e) establish Re-openers opener mechanism for the licensee and the Authority to trigger amendments to the Cyber Resilience OT Baseline Re-opener Allowances Table (in Appendix 3) and the Cyber Resilience OT PCD Table PCD Table Price Control Deliverables, during the Price Control Period;
- (f)(e) require the licensee to report regularly to the Authority on cyber resilience OT; and
- (g)(f) provide for an assessment of delivery under this condition, including 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 paragraph paragraphs 3.2.8 10, 3.2.16, or 11(e), 3.2.12, 3.2.14 and 3.2.15 3.2.11, 3.2.12, 3.2.17 and 3.2.18 Part E and F.

Part A: Formulae for calculating the cyber resilience OT baseline Price Control Deliverable term ($CROT_t$), the cyber resilience Re-opener term ($CYRE_t$) and the cyber resilience OT non-baseline use it or lose it allowance term ($CROTRE_t$).

3.2.4 The value of $CROT_t$ 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 (Appendix 1); and

$CYRA_t$ has the value zero unless otherwise directed by the Authority in accordance with paragraph 3.2.16 3.2.17.

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

$$CYRE_t = CYO_t - CYRO_t$$

where:

$$CROT_{\text{t}} = CROTA_{\text{t}} - CROTRA_{\text{t}}$$

CYO_t means ~~has~~ 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 ~~3.2.10~~; and

CYRO_t has the value zero unless otherwise directed by the Authority in accordance with paragraph 3.2.16 ~~3.2.17~~.

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

$$CYU_{\text{t}} = CYAU_{\text{t}} - CYRAU_{\text{t}}$$

where:

~~CROTA_t~~CYAU_t means ~~has~~ the allowances value set out in the Cyber Resilience OT-Baseline ~~UIOLI~~ Allowances Table as amended as a result of circumstances set out in paragraph 3.2.11(d)(i); and

~~CROTRA_t~~CYRAU_t has the value zero unless otherwise directed by the Authority in accordance with Part E paragraph 3.2.17 ~~3.2.18~~.

Part B: What is the licensee funded to deliver?

3.2.5 The value of CROTRE_t is derived in accordance with the following formula:

$$CROTRE_{\text{t}} = CROTO_{\text{t}} - CROTRO_{\text{t}}$$

where:

~~CROTO_t~~ means the allowances directed by the Authority as amended as a result of circumstances set out in paragraphs 3.2.11(a) to (c) and (d)(ii); and

~~CROTRO_t~~ has the value zero unless otherwise directed by the Authority in accordance with Part E.

Part B: Cyber resilience OT outputs

~~3.2.6~~3.2.7 The Cyber Resilience OT-PCD Table specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

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

Part C: Requirement to submit a The Cyber Resilience OT Plan and Re-opener application

3.2.83.2.9 UIOLI Allowances Table specifies the allowances **for use it or lose it** for cyber resilience projects the licensee must Between 1 April 2021 and 8 April 2021 submit to the Authority; is funded to deliver where the associated costs are uncertain.

Part D: Part C: a Cyber Resilience OT Plan; and Re-opener

~~(b) an application for a direction by the Authority requesting such amendments to the Cyber Resilience OT PCD Table as it considers are warranted by its Cyber Resilience OT Plan.~~

3.2.10 ~~A Cyber Resilience OT Plan submitted under paragraph 3.2.8(a) must~~ This part establishes a Re-opener **for CYO** that may be in writing and give details of any proposed used where there are:

~~(c)(a) new activities that the licensee considers would be, including new technology, capable of improving cyber resilience in relation to OT, including risk reduction and improved status of the licensee's network and information systems with respect to NCSC CAF Contributing Outcomes;~~

~~3.2.9—An application under paragraph 3.2.8(b) must be made in writing and:~~

~~(a) include statements:~~

- ~~i.—setting out any amendments requested to the outputs, delivery dates or allowances in the Cyber Resilience OT PCD Table;~~
- ~~ii.—explaining how any amendments requested would improve cyber resilience in relation to OT, including risk reduction and improved status of the licensee's network and information systems with respect to CAF Outcomes; and~~
- ~~iii.—explaining the basis of the calculations for any amendments requested to allowances; and~~

~~(b) provide such detailed supporting evidence as is reasonable in the circumstances.~~

Part E: Cyber resilience OT 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 in relation to OT, including risk reduction and improved status of the licensee's network and information systems with respect to CAF Outcomes;

(b) changes to levels of risks or threats relating to cyber resilience in relation to OT, that take the licensee outside of its organisational risk appetite; ~~or~~ and which require the licensee to undertake significant new activities to address; or

(c) changes to statutory or regulatory requirements ~~relating or guidance to~~ cyber resilience ~~in relation to OT~~, or which require the licensee to undertake significant new activities to maintain compliance with the requirements;

~~(d) errors to correct or refinements required to:~~

- ~~i. existing outputs, delivery dates or allowances set as part of RHO-2 Final Determinations; or~~
- ~~ii. other existing outputs, delivery dates or allowances in order to improve the licensee's cyber resilience in relation to OT.~~

3.2.11 The licensee may ~~only apply~~ only apply to the Authority for ~~changes~~ changes a direction amending allowances in the Cyber Resilience Re-opener Allowances Table and the Cyber Resilience PCD Table under this Part C Re-opener ~~Between 25 January 2023 B~~ etween 1st April 2028 and 31 January 2023, or 8th April 2028, and during such other periods as the Authority may direct.

3.2.12 The Authority may ~~instigate~~ direct changes under this ~~Re~~ Part C Re-opener at any time during the Price Control Period where it has become aware of circumstances set out in paragraph 3.2.11. 10.

3.2.13 An application under paragraph ~~3.2.12~~ 10 3.2.11 must be made in writing to the Authority and must:

(a) give details of the circumstances referred to in paragraph ~~3.2.12~~ 9 3.2.10 that the licensee considers exist;

(b) set out any amendments ~~requested or additions~~ to the outputs, delivery dates or allowances set out in the Cyber Resilience ~~OT Baseline Allowances Table or the Cyber Resilience OT PCD Table~~;

(c) explain how any amendments or additions requested would improve cyber resilience ~~in relation to OT~~, 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;

~~(d)(e)~~ explain why the proposed allowances are economically efficient; and

~~(e)(f)~~ provide such detailed supporting evidence to support (a) to (e) as is reasonable in the circumstances.

3.2.14 An application under paragraph ~~3.2.12~~ 10 3.2.11 must:

(a) relate to circumstances of the type referred to in paragraph ~~3.2.11~~ that 9 3.2.10 which could not have developed since been reasonably provided for on the date the licensee submitted its Cyber Resilience OT Plan under paragraph 3.2.8;

(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 ~~2021~~ 2026.

3.2.15—The Authority ~~may~~will only ~~make~~direct changes under this Re-opener by direction:

3.2.15 Part C where an application is made by the licensee under paragraph 3.2.10:

- (a) ~~where~~if a circumstance in paragraph ~~3.2.11~~9 3.2.10 exists; ~~;~~ and;
- (b) ~~if an application was made by the licensee under paragraph 3.2.12~~10 3.2.11, where the requirements in paragraphs ~~3.2.14~~11 3.2.13 and ~~3.2.15~~12 3.2.14 have been met;

- (a) — ~~if at any time during the~~ relevant circumstance is that set out in paragraphs 3.2.11(a) or (b), Price Control Period where the addition it has become aware of new outputs would improve the licensee's cyber resilience in relation to OT;

(c) if the relevant circumstance is that ~~circumstances~~ set out in paragraph 3.2.11(c), 9

- (b) — 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 the addition it has become aware of new outputs would contribute to the licensee's compliance with the relevant statutory or regulatory requirements relating to cyber resilience in relation to OT;

3.2.16 ~~if the relevant circumstance is that~~ the circumstances set out in paragraph ~~3.2.11(d), where a change to an existing output is justified:-~~ 9

- i. — in order to correct an error; or
- ii. — ~~because the licensee has demonstrated that the refinement would improve the licensee's cyber resilience in relation to OT; and~~
- (c) — ~~where there is sufficient detail to demonstrate that the proposed allowances are efficient and the change would improve the licensee's cyber resilience in relation to OT.~~

3.2.17 A direction under this Part C:

- (a) ~~may adjust~~ will add allowances in the Cyber Resilience OT Baseline ~~Re-opener Allowances Table and the Cyber Resilience PCD Table~~ as a result of circumstances set out in paragraph ~~3.2.11(d)(i);~~ 9 3.2.10;

~~(b) may amend outputs, delivery dates and allowances in the Cyber Resilience OT PCD Table;~~

~~(c)(b)~~ may modify the text in Appendices 1 and 2 ~~of the Cyber Resilience Re-opener Allowances Table~~ to amend the date of publication of the documents containing the Cyber Resilience OT Baseline ~~Allowances Table~~ Cyber Resilience Re-opener Allowances Table and the Cyber Resilience OT ~~PCD Table~~ Cyber Resilience PCD Table;

~~(d)(c)~~ will set out the value of the CROTA_t and CROTO_t terms, where these are being adjusted; ~~and~~ CYO_t; and

~~(e)(d)~~ must be confined to costs incurred or expected to be incurred on or after ~~1st~~ 1st April 2021. 2026.

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

3.2.18—The Authority will direct a value for CROTRA_t and CROTRO_t where either of the following is appropriate:

3.2.19 3.2.18 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),, consider directing a value for CYRA_t or CYRO_t, where the licensee has not Fully Delivered an output in the Cyber Resilience OT Cyber Resilience PCD Table; or Table.

(a) a Use It Or Lose It Adjustment, which will be assessed after any assessment under sub-paragraph (a).

Part G: Reporting Requirements

3.2.19 Separately, tThe Authority will consider directing a value for CYRAU_t where, following a qualitative assessment of the licensee's stated and delivered needs, underpinning the allowance, it considers that a Use It Or Lose It Adjustment is appropriate.

Part E: Cyber Resilience PCD 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 progress against key milestones contained in the licensee's Improvement Plan;
- (c)(b) a summary of developments against the outputs in the Cyber Resilience OT PCD Table; tTable;
- (d)(c) the licensee's licensee's assessment of the impact of the progress and developments referred to in sub-paragraphs (a) and (b) on improving cyber resilience in relation to OT, including risk reduction and improved status of the licensee's network and information systems with respect to CAF Outcomes;
- (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.
- (f) a description of how the licensee has considered any relevant guidance provided by the Authority;
- (g) a summary of the current status of CAF Outcomes; and
- (h) 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 3.2.19 by no later than the dates, and in relation to the periods, set out in Appendix 35.

Part F: Cyber Resilience UIOLI 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, as part of its annual Cyber Resilience reporting, provide a qualitative report explaining how expenditure funded as uncertain investment from allowances for use it or lose it has contributed to activities intended to maintain or improve its cyber resilience posture.

3.2.23 The report under paragraph 3.2.20 must licensee shall provide to the Authority a qualitative report that:

- (a) sets out the relevant NCSC CAF Contributing Outcomes that the investment was intended to address;
- (b) provides 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) sets out any use it or lose it allowances that remain unspent; and
- (d) includes a confirmation from the licensee's NIS Responsible Officer 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 UIOLI 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 activities needs and the licensee's assessment of the impact of the use it or lose it UIOLI expenditure on its cyber resilience posture.

3.2.25 This qualitative assessment does not constitute a Price Control Deliverable and shall is not be subject to the evaluative assessment principles set out in Special Condition 9.3.

3.2.213.2.26 The Authority may consider the reports provided under this Part this information for the purpose of monitoring and evaluation and in making any direction under paragraph 3.2.17. of use it or lose allowances when making its adjustment at the end of the price-control period.

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

3.2.223.2.27 Before making a direction under paragraph 3.2.8153, 3.2.14 3.2.17 3.2.16, or 3.2.17 3.2.18, the Authority will send to the licensee:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
 - (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 not be less than up to 28 days unless the Authority determines that a longer period is appropriate.

3.2.28 A direction under paragraph 3.2.18~~167~~ will set out:

~~(d)~~(a) the value of the ~~CROTR_t~~CYRA_t and ~~CROTRO_t term~~CYRO_t terms and the Regulatory Years to which those adjustments relate, and where the direction is under paragraph 3.2.18(a) will set out:

~~(e) the delivery status of the output that has not been Fully Delivered; and~~

~~(f)~~(b) the methodology and data that has been used to decide the delivery status and value of any adjustments to the ~~CROTR_t~~CYRA_t and ~~CROTRO_t~~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 methodology and data that has been used to decide the delivery status and value of any adjustments to the CYRAU_t term.

Appendix 1

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

Title	Publication Date
<u>RIIO-23 Final Determinations – SHETL OT –</u> <u>SHET Cyber Resilience (REVISED)</u>	<u>3 February 2021</u> 14 <u>th December 2025</u>

Appendix 2

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

Title	Publication Date
<u>RHO2RIIO-3 Final Determinations – SHET</u> <u>Cyber Resilience Operational Technology</u> <u>Re-opener Decision</u>	<u>14 August 2024</u> 14 <u>th December 2025</u>

Appendix 3

Report submission dates and the associated periods to be reported on Title and publication date of document containing the Cyber Resilience Re-opener Allowances Table

<u>Dates each year by which reports must be submitted from 31 January 2022 to 31 July 2026</u>	<u>Title</u>	<u>Associated periods to be reported on</u>	<u>Publication Date</u>
31 July	RIIO-3 Final Determinations Re-opener Decision – SHET Cyber Resilience	1 April to 31 March	N/A – Not yet published

Appendix 4

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

<u>Title</u>	<u>Publication Date</u>
RIIO-3 Final Determinations – SHET Cyber Resilience	4 th December 2025

Appendix 5

Report submission dates and the associated periods to be reported on information technology

<u>Dates each year by which reports must be submitted to the Authority</u>	<u>Associated periods to be reported on</u>
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
31 July 2031	1 April 2030 to 31 March 2031

Special Condition 3.3 Resilience Re-opener physical security PCD and Price Control Deliverable (CRIT_t, Re-opener (RESRE_t, PSUP_t and CRITRE_t), PSUPRE_t)

Introduction

- 3.3.1 The purpose of this condition is to calculate the terms CRIT_t (the Cyber resilience baseline PSUP_t (physical security Price Control Deliverable term) and CRITRE_t (the cyber resilience IT non-baseline), 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:

3.3.2 The effect of this condition is to:

- ~~(a) establish the Cyber Resilience IT Baseline Allowances Table;~~
- ~~(a) establish the Cyber Resilience IT PCD Table, which specifies 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 cyber resilience in relation to IT the Physical Security Price Control Deliverable set out in Appendix 2;~~
- ~~(b) require the licensee to take all reasonable steps to deliver in accordance with the Cyber Resilience IT PCD Table;~~
- ~~(c) require the licensee to submit a Cyber Resilience IT Plan at the start of the Price Control Period;~~
 - ~~iii. establish a Re-opener mechanism for the licensee and the Authority to trigger amendments to the Cyber Resilience IT Baseline Allowances Table and the Cyber Resilience IT Physical Security PCD Table during the Price Control Period; and~~
- ~~(d) require the licensee to report regularly to the Authority on cyber resilience IT; 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 directing making any changes under paragraph 3.3.8, 3.3.16, or 3.3.18

Part A: Formulae for calculating the cyber resilience IT baseline term ($CRIT_t$) and the cyber resilience IT Re-opener non-baseline term ($CRITRE_t$)

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

$$CRIT_t = CRITA_t - CRITRA_t$$

where:

- $CRITA_t$ means the allowances in the Cyber Resilience IT Baseline Allowances Table as amended as a result of circumstances set out in paragraph 3.3.11 (d)(i); and
- $CRITRA_t$ has the value zero unless otherwise directed by the Authority in accordance with Part E.

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

$$CRITRE_t = CRITO_t - CRITRO_t$$

where:

- CRITO_t* means the allowances directed by the Authority as a result of circumstances set out in paragraphs 3.3.11(a) to (c) and (d)(ii); and
- CRITRO_t* has the value zero unless otherwise directed by the Authority in accordance with Part E.

Part B: Cyber resilience IT outputs

- 3.3.6 — The Cyber Resilience IT PCD Table specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.
- 3.3.7 — The licensee must take all reasonable steps to deliver the outputs in accordance with, and by the delivery dates specified in, the Cyber Resilience IT PCD Table.

Part C: Requirement to submit a Cyber Resilience IT Plan and Re-opener application

- 3.3.8 — The licensee must Between 1 April 2021 and 8 April 2021 submit to the Authority:
- (a) a Cyber Resilience IT Plan; Appendix 2 and
 - ~~3.3.9~~ 3.3.3 an application for a direction by the Authority requesting such amendments 3 to the Cyber Resilience IT PCD Table as it considers are warranted by its Cyber Resilience IT Plan. this condition.
- 3.3.10 — A Cyber Resilience IT Plan submitted under paragraph 3.3.8(a) must be in writing and give details of any proposed activities that the licensee considers would be capable of improving cyber resilience in relation to IT, including measured risk reduction on the licensee's network and information systems.
- 3.3.11 — An application under paragraph 3.3.8(b) must be made in writing and:
- (a) include statements:
 - i. — setting out any amendments requested to the outputs, delivery dates or allowances in the Cyber Resilience IT PCD Table;
 - ii. — explaining how any amendments requested would improve cyber resilience in relation to IT, including risk reduction on the licensee's network and information systems; and
 - iii. — explaining the basis of the calculations for any amendments requested to allowances; and
 - (b) provide such detailed supporting evidence as is reasonable in the circumstances.

Part D: Cyber resilience IT Re-opener

3.3.12—This Part establishes a Re-opener that may be used where there are:

- (a) new activities, including new technology, capable of improving cyber resilience in relation to IT, including risk reduction in respect to the licensee's network and information systems;
- (b) changes to levels of risks or threats relating to cyber resilience in relation to IT, that take the licensee outside of its organisational risk appetite;
- (c) changes to statutory or regulatory requirements relating to cyber resilience in relation to IT; or
- (d) errors to correct or refinements required to:
 - i.—outputs, delivery dates or allowances set as part of RHIO-2 Final Determinations; or
 - ii.—other existing outputs, delivery dates or allowances in order to improve the licensee's cyber resilience in relation to IT.

3.3.13—The licensee may only apply to the Authority for changes under this Re-opener Between 25 January 2023 and 31 January 2023, or during such other periods as the Authority may direct.

3.3.14—The Authority may instigate changes under this Re-opener at any time during the Price Control Period where it has become aware of circumstances set out in paragraph 3.3.11.

3.3.15—An application under paragraph 3.3.12 must be made in writing to the Authority and must:

- (a) give details of the circumstances referred to in paragraph 3.3.11 that the licensee considers exist;
- (b) set out any amendments requested to the outputs, delivery dates or allowances set out in the Cyber Resilience IT Baseline Allowances Table or the Cyber Resilience IT PCD Table;
- (c) explain how any amendments requested would improve cyber resilience in relation to IT, including risk reduction on the licensee's network and information systems;
- (d) explain the basis of the calculations for any amendments requested to allowances; and
- (e) include such detailed supporting evidence as is reasonable in the circumstances.

3.3.16—An application under paragraph 3.3.12 must:

- (a) relate to circumstances of the type referred to in paragraph 3.3.11 that have developed since the licensee submitted its Cyber Resilience IT Plan under paragraph 3.3.8;

- ~~(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 2021.~~

~~3.3.17—The Authority may only make changes under this Re-opener by direction:~~

- ~~(a) where a circumstance in paragraph 3.3.11 exists;~~
- ~~(b) if an application was made by the licensee under paragraph 3.3.12, where the requirements in paragraphs 3.3.14 and 3.3.15 have been met;~~
- ~~(c) if the relevant circumstance is that set out in paragraphs 3.3.11(a) or (b), where the addition of new outputs would improve the licensee's cyber resilience in relation to IT;~~
- ~~(d) if the relevant circumstance is that set out in paragraph 3.3.11 (c), where the addition of new outputs would contribute to the licensee's compliance with the relevant statutory or regulatory requirements relating to cyber resilience in relation to IT;~~
- ~~(e) if the relevant circumstance is that set out in paragraph 3.3.11(d), where a change to an existing output is justified:

 - ~~i. —in order to correct an error; or~~
 - ~~ii. —because the licensee has demonstrated that the refinement would improve the licensee's cyber resilience in relation to IT; and~~~~
- ~~(f) where there is sufficient detail to demonstrate that the proposed allowances are efficient and the change would improve the licensee's cyber resilience in relation to IT.~~

~~3.3.18—A direction under this Part:~~

- ~~(a) may adjust allowances in the Cyber Resilience IT Baseline Allowances Table as a result of circumstances set out in paragraph 3.3.11(d)(i);~~
- ~~(b) may amend outputs, delivery dates and allowances in the Cyber Resilience IT PCD Table;~~
- ~~(c) may modify the text in Appendices 1 and 2 to amend the date of publication of the documents containing the Cyber Resilience IT Baseline Allowances Table and the Cyber Resilience IT PCD Table;~~
- ~~(d) will set out the value of CRITA_t and CRITO_t terms, where these are being adjusted; and~~
- ~~(e) must be confined to costs incurred or expected to be incurred on or after 1 April 2021.~~

Part E: Assessment of the Price Control Deliverable (CRITRA_t and CRITRO_t)

3.3.19—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 CRITRA_t and CRITRO_t where the licensee has not Fully Delivered an output in the Cyber Resilience IT PCD Table.

Part F: Reporting Requirements

3.3.20—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 IT 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 in relation to IT, including risk reduction;
- ~~(d)(a) 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.~~

3.3.21—Unless the Authority otherwise directs, the licensee must send reports under paragraph 3.3.19 by no later than the dates, and in relation to the periods, set out in Appendix 3.

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

3.3.22—Before making a direction under paragraph 3.3.8, 3.3.16, or 3.3.18, the Authority will send to the licensee:

- ~~(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 not be less than 28 days.~~

3.3.23—A direction under paragraph 3.3.18 will set out:

- (a) the delivery status of the output that has not been Fully Delivered;
- (b) the value of the CRITRA_t and CRITRO_t term 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 CRITRA_t and CRITRO_t terms.

~~Appendix 1~~

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

Title	Publication Date
Scottish Hydro Electric Transmission (SHET) Cyber Resilience Information Technology Re-opener Decision REVISED	10 December 2021

~~Appendix 2~~~~Appendix 1~~

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

Title	Publication Date
Scottish Hydro Electric Transmission (SHET) Cyber Resilience Information Technology Re-opener Decision REVISED	10 December 2021

~~Appendix 3~~~~Appendix 1~~

~~Report submission dates and the associated periods to be reported on~~

Dates each year by which reports must be submitted from 31 January 2022 to 31 July 2026	Associated periods to be reported on
31 July	1 October to 31 March
31 January	1 April to 30 September

~~Special Condition 3.4 Physical security Re-opener and Price Control Deliverable (PSUP_t and PSUPRE_t)~~

~~Introduction~~

- ~~3.4.1 — The purpose of this condition is to calculate the terms PSUP_t (the physical security Price Control Deliverable term) and PSUPRE_t (the physical security Re-opener term). These contribute to the calculation of the Totex Allowance.~~
- ~~3.4.2 — 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 and Authority to trigger amendments to the Price Control Deliverable during the Price Control Period; and~~

(c) provide for an assessment of the Price Control Deliverable.

3.4.3 This condition also sets out the process the Authority will follow when directing any changes under paragraph 3.4.7, 3.4.11 or 3.12.

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

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

$$PSUP_t = PSUPA_t - PSUPRA_t$$

where:

PSUPA_t means the sum of 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.

3.4.53.3.5 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 a result of Re-openers established by 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?

~~**Part B: What is the licensee funded to deliver?**~~

3.4.63.3.7 ~~Appendix~~ Appendices 2 specifies the outputs and 3 specifies the Price Control Deliverables that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Physical Licensee triggered Physical security Re-opener

3.4.73.3.8 The licensee may apply to the Authority for a direction amending the ~~outputs, delivery dates or associated allowances~~ physical security PCD Table, in

Appendix 12, where the scope of work the licensee is required to carry out under the Physical Security Upgrade Programme has changed, following a change in the Critical National Infrastructure classification which results in a change to the scope of work the licensee is required to carry out under the physical security programme to be designated by UK Government.

3.3.9 The licensee may only apply to the Authority under paragraph 3.4.7 ~~Between 25 January 2024~~ 3.87 between:

(a) 1 April 2028 and 31 January in year 2024; 8 April 2028; and

~~(a)~~(b) 1 April 2030 and 8 April 2030; or

~~(b)~~(c) during such later other periods as the Authority may direct.

3.4.83.3.10 An application under paragraph 3.4.7 ~~must~~ 3.87 must be made in writing to the Authority and ~~include statements~~ set out:

(a) ~~setting out~~ the changes to the scope of work the licensee is required to carry out under the physical security Upgrade programme to be designated by UK Government to which the application relates;

(b) ~~setting out~~ the change in Critical National Infrastructure classification for each site to which the application relates;

~~(c)~~ setting out any amendments requested to the outputs, delivery dates or allowances ~~set out in Appendix 2~~;

(c) explaining in the physical security PCD Table;

(d) an explanation of the basis of the calculations for any amendments requested to allowances; and

(e) ~~providing~~ such detailed supporting evidence as is reasonable in the circumstances.

3.4.93.3.11 An application under paragraph 3.4.7 3.87 must:

(a) only relate to changes to the scope of work the licensee is required to carry out under the Physical Security Upgrade Programme ~~which take effect on or after 9 December 2019~~ 28 June 2024 and which the licensee is required to carry out under the Physical Security Upgrade Programme; the physical security programme to be designated by UK Government as a result of a change in the Critical National Infrastructure classification;

(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 ~~2021~~ 2026.

Part D: Authority triggered physical security Re-opener

3.4.103.3.12 The Authority ~~will also consider directing amendments to~~ may amend the outputs, delivery dates or allowances ~~set out in Appendix 2~~ by direction without an application being made under paragraph 3.4.7 where there have been changes to the scope of ~~work~~ works the licensee is required to carry out under the physical security programme to be designated by UK Government ~~programmes~~ Physical Security Upgrade Programme that:

- (a) have been mandated on or after ~~9 December 2019~~ 28 June 2024; and
- (b) relate to costs incurred or expected to be incurred on or after 1 April ~~2021~~ 2026.

Part E: Assessment of the physical security-Price Control Deliverable
Deliverables (PSUPRA_t and PSUPRO_t and RESRO_t)

~~3.4.11~~ 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), ~~consider directing a value for PSUPRA_t and PSUPRO_t and where the licensee has not Fully Delivered an output as specified in Appendix 2~~ or 3, direct a value for PSUPRA_t and PSUPRO_t, and RESRO_t.

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

~~3.4.12~~ 3.14 Before making a direction under paragraph 3.4.7, ~~3.4.11~~ 87, ~~3.3.12~~ 141 or ~~3.4.12~~ 1312, the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
 - ~~(a) a period during which representations may be made on the proposed direction, which will not be less than 28 days~~ up to 28 days unless the text of the proposed direction;
 - ~~(b) the reasons for the proposed direction; and~~
- (c) Authority determines that a longer period during which representations may be made on the proposed direction, which will not be less than 28 days is appropriate.

~~3.3.15~~ A direction under paragraph 3.4.7 or ~~3.4.11~~ 87 or ~~3.3.12~~ 141 will:

- ~~(d)~~ (a) set out any amendments to 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.

~~3.4.13~~ 3.16 A direction under paragraph 3.4.12 ~~3.1312~~ 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 ~~that adjustment relates~~ 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 Electricity Act 1989.

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 (PSUPA_t) by Regulatory Year (£m) Table

<u>21/22Title</u>	<u>22/23Publication Date</u>
<u>2.82SHET Redacted Information Document</u>	<u>2.83Date most recently shared with the licensee by the Authority</u>

Appendix 1Appendix 2

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

<u>Title</u>	<u>Publication Date</u>
<u>SHET Redacted Information Document</u>	<u>Site Reference number as per the licensee's RIIO-ET2 Date most recently shared with the licensee by the AuthorityBusiness Plan Data Template</u>

PT000736	Install PSUP Solution	31 Mar 2026	21/22	22/23	23/24	24/25	25/26	Total Allowance (All years)
			2.82	2.83	0.95	0.02	0.02	6.65

Appendix 3 Net Zero And

Resilience Activities: Outputs, Delivery Dates, and Allowances

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

Special Condition 3.4 Not Used

Special Condition 3.5 Not Used

Special Condition 3.5 Special Condition 3.6 Decarbonisation and Environmental Policy Re-opener Development Fund use it or lose it allowance (RDF_t and Price Control Deliverable (DEP_t))

Introduction

~~3.5.13.6.1~~ The purpose of this condition is to calculate the term RDF_t (the Net Zero And Decarbonisation and Environmental Policy Re-opener Development Fund term). This contributes to the calculation of the Totex Allowance.

~~3.5.23.6.2~~ The effect of this condition is to:

- (a) specify the allowance for the Net Zero And Re-opener Development Fund;
- (b) require the licensee to comply with the Net Zero And Re-opener Development Fund Governance Document; and
- (c) provide for a Use It Or Lose It Adjustment.

~~3.5.3~~ This condition also explains the process the Authority will follow when issuing or amending the Net Zero And Re-opener Development Fund Governance Document.

Part A: Formula for calculating the Net Zero And Re-opener Development Fund term (RDF_t)

~~3.5.4~~ The value of RDF_t is derived in accordance with the following formula:

$$RDF_t = RDFA_t - RDFR_t$$

~~where:~~

~~RDFA_t means the allowances in Appendix 1; and~~

~~RDFR₄ has the value zero unless otherwise directed by the Authority in accordance~~
~~_____ with Part D.~~

~~Part B: Net Zero And Re-opener Development Fund Governance Document~~

~~3.5.5 — The licensee must comply with the Net Zero And Re-opener Development Fund Governance Document when incurring expenditure in relation to the allowance provided by this licence condition.~~

~~3.5.6 — The Authority will issue and amend the Net Zero And Re-opener Development Fund Governance Document by direction.~~

~~3.5.7 — The Authority will publish the Net Zero And Re-opener Development Fund Governance Document on the Authority's Website.~~

~~3.5.8 — The Net Zero And Re-opener Development Fund Governance Document will make provision about the governance and administration of the Net Zero And Re-opener Development Fund, including:~~

~~(a) the definition of 'allowable RDF expenditure' and 'unrecoverable RDF expenditure';~~

~~(b) the eligibility criteria, which expenditure incurred in relation to the allowance provided by this licence condition must meet; and~~

~~(c) the reporting obligations in respect of expenditure incurred in relation to Net Zero And Re-opener Development Fund which the licensee must meet.~~

~~3.5.9 — Before directing that the Net Zero And Re-opener Development Fund Governance Document comes into effect, the Authority will publish on the Authority's Website:~~

~~(a) the text of the proposed Net Zero And Re-opener Development Fund Governance Document;~~

~~(b) the date on which the Authority intends the Net Zero And Re-opener Development Fund Governance Document to come into effect; and~~

~~(c) a period during which representations may be made on the content of the Net Zero And Re-opener Development Fund Governance Document, which will not be less than 28 days.~~

~~3.5.10 — Before directing an amendment to the Net Zero And Re-opener Development Fund Governance Document, the Authority will publish on the Authority's Website:~~

~~(a) the text of the amended Net Zero And Re-opener Development Fund Governance Document;~~

~~(b) the date on which the Authority intends the amended Net Zero And Re-opener Development Fund Governance Document to come into effect;~~

~~(c) the reasons for the amendments to the Net Zero And Re-opener Development Fund Governance Document; and~~

- (d) a period during which representations may be made on the amendments to the Net Zero And Re-opener Development Fund Governance Document, which will not be less than 28 days.

Part C: Use It Or Lose It Adjustment

3.5.11—The Authority will direct an amendment to the value of $RDFR_t$ where it considers that a Use It Or Lose It Adjustment is appropriate.

Part D: Authority's direction process

3.5.12—Before making a direction under paragraph 3.5.11, the Authority will publish on the Authority's Website:

- ~~(a) the text of the proposed direction;~~
- ~~(b) (a) the reasons for the proposed direction; and~~
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.5.13—The direction will set out the value of the $RDFR_t$ term and the Regulatory Years to which that adjustment relates.

Appendix 4

Net Zero And Re-opener Development Fund allowance (£m)

	Regulatory Year					
	2021/22	2022/23	2023/24	2024/25	2025/26	Total
$RDFR_t$	£2.40	£2.40	£2.40	£2.40	£2.40	£12.00

Special Condition 3.6 Net zero Re-opener and Price Control Deliverable (NZ_t)

Introduction

3.6.1—The purpose of this condition is to calculate the term NZ_t (the net zero 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 Developments 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.

1. This is an evaluative PCD.

3.6.3 This condition also ~~explains~~sets out the process the Authority will follow when making any changes under this condition.

Part A: Formula for calculating the net zero Decarbonisation and Environmental Policy Re-opener term (NZ_{tDEP_t})

3.6.4 The value of NZ_{tDEP_t} is derived in accordance with the following formula:

$$NZ_t = NZO_t - NZRO_t$$

where:

NZO_t means the sum of allowances in Appendix 1; and

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

$$DEP_t = DEPRO_t - DEPROR_t$$

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 is 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: Net Zero 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; ~~and~~
- (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
- ~~(e)~~(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 ~~this~~the Re-opener in this Part C will be made under section 11A of the Act.

Part D: Assessment of the Price Control Deliverable (NZRO~~t~~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 NZRO~~t~~DEPROR~~t~~ where the licensee has not Fully Delivered an output in Appendix 1.

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

3.6.11 Before making a direction under paragraph 3.6.10~~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

~~(a) a period during which representations may be made on the proposed direction,~~
~~which will the text of the proposed direction;~~

~~(b)(a) the reasons for the proposed direction; and~~

~~(c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.~~

(c) 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~~3.6.10~~ will set out:

(a) the delivery status of the output that has not been Fully Delivered;

(b) the value of the NZRO~~t~~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 NZRO~~t~~DEPROR~~t~~ term.

Appendix 1

Net ZeroDecarbonisation and Eenvironmental Ppolicy Price Control Deliverable (£m) per Regulatory Year

Regulatory Year

Out put	Deliv ery date	<u>2021/22</u> <u>026/27</u>	<u>2022/23</u> <u>027/28</u>	<u>2023/24</u> <u>028/29</u>	<u>2024/25</u> <u>029/30</u>	<u>2025/26</u> <u>030/31</u>	Total
N/A	N/A	<u>0.00</u> N/A	N/A <u>0.00</u>	N/A <u>0.00</u>	N/A <u>0.00</u>	N/A <u>0.00</u>	N/A <u>0.00</u>
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

N/A N/A N/A N/A N/A N/A N/A N/A

Special Condition 3.7 ~~Non-operational IT Capex~~Digitalisation Re-opener and ~~Price Control Deliverable~~ (NOITRE_t(DIGIt))

Introduction

3.7.1 ~~Introduction~~ The purpose of this condition is to calculate the term NOITRE_tDIGIt (the ~~Non-operational IT Capex~~Digitalisation Re-opener allowance term). This contributes to the calculation of the Totex Allowance.

3.7.2—The effect of this condition is to:

~~(a) specify the outputs, delivery dates and associated allowances for any Price Control Deliverable relating to Non-operational IT Capex;~~

~~(b) establish a Re-opener triggered by either for the licensee ~~or~~ and the Authority for Non-operational IT Capex; and~~

~~3.7.2 (c) provide for an assessment of to trigger amendments to the value of DIGIt during the Price Control Deliverables. Period where there is a change in requirements for digital or data services from the government or the Authority, additional responsibilities related to smart metering, or an advancement of Mature Innovation projects.~~

3.7.3 This condition **also sets out** ~~explains~~ the process the Authority will follow when **directing** ~~making~~ any changes **under Part A or Part C of this condition**, as a result of the ~~this~~ Re-opener.

Part A: Formula for calculating the Non-operational IT Capex Re-opener term (NOITRE_t)

3.7.4—The value of NOITRE_t is derived in accordance with the following formula:

$$NOITRE_t = NOITO_t - NOITRO_t$$

where:

NOITO_t means the allowances in Appendix 1; and

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

Part B: ~~Part A: What is the licensee funded to deliver?~~

3.7.5—Appendix 1 specifies the total allowances provided for work relating to Non-operational IT Capex and Appendix 2 specifies the Price Control Deliverables

that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Part A: Non-operational IT Capex**What costs are within scope of this Re-opener?**

3.7.63.7.4 The licensee may apply to the Authority for a direction amending the Appendices 1 and 2 to amend the value of DIGIt 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.

(a) The licensee may apply to the Authority for a direction to amend the value of DIGIt 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 (a) the licensee identifying further evidence in support of Non-operational IT Capex projects that were included in its Business Plan, but in relation to which no allowance has been provided to date;

(b) the licensee identifying activities capable of improving the efficiency or performance of its Non-operational IT Capex; or

(c) any changes to statutory or regulatory requirements relating to Non-operational IT Capex.

3.7.5

Part B: Digitalisation Re-opener

3.7.73.7.6 The licensee may only apply to the Authority for changes **a modification under** this Re-opener **Part A: to the value of DIGIt:**

(a) between 1 April 2021 and 8 April 2021;

(b) ~~(a) Between 25 January 2023~~ October 2028 and ~~31 January 2023~~ October 2028; and

(c) ~~(b)~~ during such other periods as the Authority may direct.

3.7.83.7.7 **An application under** paragraph 3.7.6 **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) ~~give~~ gives details demonstrating how it is eligible to apply under Part A;

~~(a)(b)~~ sets out the proposed modifications to the value of the circumstances referred to DIGIt in 3.7.13 Appendix 1 paragraph 3.7.6 that the licensee considers exist;

~~(b)~~ explain how the adjustment requested would improve its Non-operational IT Capex;

~~(c)~~ ~~explain~~ explains the basis ~~of~~ for calculating the calculations for the adjustment/modifications requested to the term DIGIt allowances;

~~(d)(c)~~ give details of anticipated business benefits derived from any risk reduction as a result of the proposed activities; and the relevant profiling of the term DIGIt those allowances; and

~~(e)(d)~~ provide/provides such detailed supporting evidence as is reasonable in the circumstances, which must include:

i. — delivery plans;

ii. — a prioritisation programme;

iii. — market and industry cost comparison; and

iv. — anticipated business benefits derived as a result of the proposed activities.

3.7.93.7.8 — An application under paragraph 3.7.6 this Part must:

~~(a)~~ where any of the circumstances in paragraphs 3.7.4(a) or (a) take account of any allowed expenditure, which can be avoided as a result of the adjustment; and

~~(a)~~ 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 2021-2026; and

~~(c)~~ take account of allowed expenditure which can be avoided as a result of the modifications requested.

Part D: Part C: Authority triggered Re-opener

3.7.10 — The Authority will also consider directing amendments to the value of DIGIt amending Appendices Appendix 1 and 2- without an application being made under paragraph 3.7.6 Part A where it considers that :

3.7.113.7.9 — circumstances of the type referred to in paragraph 3.7.6 Part A exist; and,

~~(a)~~ costs were incurred, or A modification under this Part C will be incurred, on or after 1 April 2021.

3.7.123.7.10 — Assessment made under section 11A of the Price Control Deliverable (NOITRO) Act.

3.7.13 — 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), consider directing a value for NOITRO where the licensee has not Fully Delivered an output in Appendix 2.

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

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

- (a) a circumstance in Part A exists; and
- (b) ~~in respect of an application under Part A,~~ the requirements in paragraph 3.7.8 have been met.

~~3.7.14~~3.7.12 Before making a direction ~~under~~ paragraph 3.7.6, 3.7.10 or 3.7.11 ~~Part A,~~ the Authority ~~will~~ must send to the licensee and publish on the Authority's ~~Authority's~~ Website:

- ~~(a) the text of the proposed direction;~~
- ~~(b)(a) the reasons for the proposed direction; and~~
- ~~(c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.~~
- (a) A the text of the proposed direction; modifications;
- (b) the reasons for the proposed direction; and ~~under paragraph 3.7.6 or 3.7.10~~
- ~~(d)(c)~~ a statement setting out the period during which representations may be made on the proposed direction, which will set out any amendments be up to Appendices 1 and 2, 28 days unless the Authority determines that a longer period is appropriate.

~~3.7.15~~ ~~A~~ The direction under paragraph 3.7.11 ~~will set out:~~

- ~~(a)~~ any adjustments to the delivery status value of the output that has not been Fully Delivered;

~~3.7.16~~3.7.13 ~~the value of the NOITRO_t~~ DIGIt term and the Regulatory Years to which that adjustment relates; and those adjustments relate.

- ~~(a) the methodology and data that has been used to decide the delivery status and value of any adjustment to the NOITRO_t term.~~

Appendix 1

**Appendix 1Non-operational
IT-Capex**

	<u>Digitalisation Re-opener allowance (NOITRO_t) (£m)</u>					
	<u>2021/22</u>	<u>2022/23</u>	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>	<u>All years</u>
Re-opener Allowance	0	0	5.923	8.913	4.513	19.349

Appendix 2

Non Operational IT Capex allowances (DIGI) without Evaluative Price Control Deliverables by Regulatory Year (£m)

NOITRE project	Output	Delivery date	<u>Regulatory Year</u>					Total
			2021/ 22	2022/ 23	2023/ 24	2024/ 25	2025/ 26	
System and Network Planning	Completion of System and Network Planning project	before 31-March-26	-0	-0	-1.243	1.243	1.243	3.729
Project TReNDS	Completion of Project TReNDS and demonstration that the learnings have been shared with other relevant network companies	before 31-March-26	0	0	1.14	1.04	0	2.18
Integrated Project Management	Delivery of the Integrated Project Management solution to provide a single platform facilitating data and integration design, data cleansing and the schedule management, cost management (Project and IPM),	31-March-26	-0	-0	-2.48	5.16	2.49	10.13

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continuous
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	<u>26/27</u>	<u>27/28</u>	<u>28/29</u>	<u>29/30</u>	<u>30/31</u>	<u>Total allowance (all years)</u>
<u>DIGI_t</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>

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 ~~triggered by~~ 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 ~~the~~ 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: When to make an application~~

- ~~3.8.5 The licensee may only apply to the Authority for an adjustment under paragraph 3.8.4 Between 23 May and 29 May in each of the years 2021, 2022, 2023, 2024, 2025, or during such other periods as the Authority may direct.~~

~~Part C:~~ Part B: How to make an application

- ~~3.8.6~~ 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 ~~does deliver~~ 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.

3.8.73.8.6 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 ~~2021~~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

~~3.8.8~~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 ~~not be less than~~ up to 28 days unless the Authority determines that a longer period is appropriate.

~~3.8.9~~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 ~~Wider works~~ Not Used

Special Condition 3.9 ~~Special Condition 3.10~~ Non-Load Re-opener and Price Control Deliverable (WW_t , NLR_t)

Introduction

~~3.9.13~~3.10.1 The purpose of this condition is to ~~calculate~~set the value of the term WW_t , NLR_t (the ~~wider works Price Control Deliverable~~ 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) ~~This condition specifies the outputs,~~ specify the Price Control Deliverables for the relevant non-load Re-opener terms including the associated delivery dates and associated allowances for the Price Control Deliverable specified in Appendices 1, 3 and 4;
- (b) ~~This condition also explains~~ 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
- (b)(e) ~~establish the application requirements, and the process the Authority will follow when assessing the Price Control Deliverable, determining the value of terms set out in Appendices 1-56.~~

Part A: Formula for calculating the wider works Price Control Deliverable term (WW_t)

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

~~3.9.23~~3.10.3 The value of NLR_t is derived in accordance with the following formula:

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

where:

NLR_BASE_t means the sum of allowances in Appendix 1 for Regulatory Year 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; for Regulatory Year t ;

NLR_LSC_t means the sum of allowances in Appendix 3 for Regulatory Year t is derived in accordance with the formula specified in paragraph 3.10.5;

NARMCP_t means the sum of allowances in Appendix 4 for Regulatory Year t is derived in accordance with the formula specified in paragraph 3.10.6.

NLR_COR_t means the sum of allowances in Appendix 5 for Regulatory Year t ;

NLR_RES_t means the sum of allowances specified in Appendix 56 for Regulatory Year t ;

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:

$$\cancel{WW_t} = \cancel{WWA_t} - \cancel{WWR_t}$$

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:

~~WWA_t~~ means the sum of allowances in Appendix 1; and

~~WWR_t~~ has the value zero, unless otherwise directed by the Authority in accordance with Part C.

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 B: Part C: What is the scope of the licensee funded to deliver? triggered terms under this Re-opener

3.10.7 Appendix 1 specifies the outputs that the The licensee is may apply to the Authority for a modification to the values in Appendices 1-4 which make up the NLR term 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 RII0-ET3-project baseline 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 RII0-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 to deliver, the 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 RII0-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 C 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 BC:

- (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 such later periods as the Authority may direct.

Part E: How to Makeing 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 year(s); and
- (d) the following requirements which apply in respect of adjusting the appendix information associated with each term only:
 - i. For NLR_BASeT, 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_FAULTt, a description of the Type Fault, including affected asset types, models, or batches, 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_LSCt, 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 NARMPcPt, evidence and justification as to why the licensee considers that the allowances outputs, or delivery dates for those outputs and the allowances provided, as determined by Authority through RII0-ET2 close out, are no longer appropriate.

Part F: Authority triggered Re-opener

3.10.12 The codes at Authority may, in accordance with 3.10.17 Part F, set or adjust the start of each output information contained in Appendix 1 5, where it:

- (a) has been made aware of the need for Gas Transmission Pipe Corrosion Mitigation; and
- (b) deems the Gas Transmission Pipe Corrosion Mitigation is necessary to maintain network integrity.

3.10.13 The Authority may, in accordance with 3.10.15 Part F, set or adjust the information contained in Appendix 56, where the Authority considers that there has been one or more Exceptional Fault or Failure Events that fall Outside Planned Works.

3.10.14 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, except where the application relates to NLR_CORRt, where costs incurred or expected are the NOA codes not subject to any minimum Materiality Threshold.

Part C: Assessment of Price Control Deliverable (WWRt)

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

- (a) In respect of both terms;
- (b) a justification for the allowance; and
- (c) the proposed delivery year(s); and
- (d) the following requirements which apply in respect of adjusting the appendix information associated each term only:
- (e) for NLR_CORRt, identification of affected pipeline sections, including corrosion inspection reports from the Gas Transmission Licensee National Gas Transmission, an engineering justification paper detailing the corrosion issue and the proposed intervention, and options considered and rationale for the preferred option; or
- (f) for NLR_RESt, 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: What process the Authority will follow in making a modification and reporting requirements?

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

3.10.17 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_RESt and NLR_FAULTt

3.10.18 The licensee must deliver the Non-Load Re-opener oOutputs for NLR_RESt and NLR_FAULT must be Fully Delivered by the licensee as by the delivery dates specified in Appendices 4 2 and 56.

Part I: Assessment of the Price Control Deliverables (NLR_BASEt, NLR_LSCt, NARMCpt, NLR_CORt)

3.9.33.10.19 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 WWRt NBAAt.

LSCAA, NARMAA where the licensee has not Fully Delivered an output in Appendix Appendices 1,3 and 4.

Appendix 1

NLR_BASAt Outputs and allowances (£m)

<u>Project Name</u>	<u>Original T3 Load Driver</u>	<u>Non-Load Driver</u>	<u>Delivery Date</u>	<u>Allowance (£m)</u>	<u>Justification Reference</u>
[Insert]	[Baseline project]	[e.g., Asset condition]			[e.g. EJP]

Appendix 2

NLR_FAULTt Outputs and allowances (£m)

<u>Fault Type</u>	<u>Asset Category</u>	<u>Intervention Description</u>	<u>Delivery Date</u>	<u>Allowance (£m)</u>
[Insert]	[e.g. Transformers]	[e.g. Reactive replacement]	[Insert date]	£[xx]

Appendix 3

NLR_LSCt Outputs and allowances (£m)

<u>Legislation / Regulation</u>	<u>Impact Area</u>	<u>Required Works</u>	<u>Delivery Date</u>	<u>Allowance (£m)</u>
[Insert title]	[insert areae.g. SF6 ban]	[e.g. switchgear replacement]	[Insert date]	£X

Appendix 4

NARMCPt Outputs and allowances (£m)

<u>Project Name</u>	<u>RIIO-ET3 Delivery Outputs</u>	<u>RIIO-ET3 Delivery Period</u>	<u>RIIO-ET3 Allowance determined at closeout (£m)</u>	<u>Justification Reference</u>
	[e.g. Network Risk Output (REXm)/volumes/engineering scope]	[e.g. 2026–2029]	£[xx]	[e.g. NARM ET2 closeout Final Determination Ref]

NLR CORt Outputs and allowances (£m)

<u>Location / Asset Interface</u>	<u>Intervention Description</u>	<u>Delivery Date</u>	<u>Allowance (£m)</u>
[Insert location]	[e.g. corrosion protection works]	[Insert date]	£X

Appendix 5

NLR RESr Outputs and allowances (£m)

<u>Asset Category</u>	<u>Failure Description</u>	<u>Intervention Description</u>	<u>Delivery Date</u>	<u>Allowance (£m)</u>
[Insert category]	[e.g., major transformer failure]	[e.g., emergency replacement works]	[Insert date]	£X

Special Condition 3.10Special 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:

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

where:

- t means the Regulatory Year for which the allowed expenditure is calculated;
- p 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, aligned to the Completion Date documented in the Construction Agreement contract for each connection project;
- VGCE_p means the Generation Connection volume driver allowance as derived in accordance with paragraph 3.11.20;
- TPG_t 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;
- TPRG_t 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:

$$VGCE_p = SGCE_p + OHLN_p + CBLS_p + CBLL_p$$

where:

$$SGCE_p = GUC \cdot (AGC_p - BGC_p)$$

$$OHLN_p = OHLNGUC \cdot (ALOHLN_p - BLOHLN_p)$$

$$CBLS_p = CBLSGUC \cdot (ALCBLS_p - BLCBLS_p)$$

$$CBLL_p = CBLLGUC \cdot (ALCBLL_p - BLCBLL_p)$$

where:

<u>$SGCE_p$</u>	means the <u>Generation substation allowance</u> ;
<u>GUC</u>	means the <u>Generation Connection Capacity unit cost allowance as set out in the SHET Redacted Information Document</u> ;
<u>AGC_p</u>	means the <u>actual Generation Connection Capacity in MW or MVA delivered in Regulatory Year p</u> ;
<u>BGC_p</u>	means the <u>baseline Generation Connection Capacity in MW or MVA for Regulatory Year p, as set out in Appendix 2</u> ;
<u>$OHLN_p$</u>	means the overhead line <u>new buildreconductoring activity allowance</u> ;
<u>$OHLNGUC$</u>	means the <u>unit cost allowance for overhead line new build as set out in Appendix 3our unredacted RHO-3 Final Determinations</u> ;
<u>$ALOHLN_p$</u>	means the <u>actual length of overhead line new build in circuit kilometres commissioned as part of delivering the AGC_p in Regulatory Year p</u> ;
<u>$BLOHLN_p$</u>	means the <u>baseline length of overhead line new build in circuit kilometres as part of delivering the BGC_p in Regulatory Year p, as set out in Appendix 2</u> ;
<u>$CBLS_p$</u>	means the <u>new underground cable with circuit kilometres less than 1km allowance</u> ;
<u>$CBLSGUC$</u>	means the <u>unit cost allowance for underground cable with circuit kilometres less than 1km as set out in Appendix 3our unredacted RHO-3 Final Determinations</u> ;
<u>$ALCBLS_p$</u>	means the <u>actual length of new underground cable in circuit kilometres less than 1km commissioned as part of delivering the AGC_p in Regulatory Year p</u> ;
<u>$BLCBLS_p$</u>	means the <u>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</u> ;

<u><i>CBL_{Lp}</i></u>	<u>means the new underground cable with circuit kilometres greater than or equal to 1km allowance;</u>
<u><i>CBLGUC</i></u>	<u>means the unit cost allowance for underground cable with circuit kilometres greater than or equal to 1km as set out in Appendix 3our unredacted RIIO-3 Final Determinations;</u>
<u><i>ALCBL_{Lp}</i></u>	<u>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;</u>
<u><i>BLCBL_{Lp}</i></u>	<u>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;</u>

Part B: Atypical thresholds for Generation Connection Vvolume Ddriver term (GCEt)

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 **direct** costs and the allowance determined in Part A of **this conditionSpecial Condition 3.11** 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)UIOL** if the forecast total **direct** 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 The atypical project must go through the Load Re-opener process if the total** forecast **direct** cost **is** greater than £40m. In both cases, there will be no allowance provided under the volume driver.

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. This factor is 1.25.

3.11.10 Generation Connection projects with 0 output and 0 expenditure would also be defined as atypical.

3.11.11 The value of the atypical threshold is derived in accordance with the following formula:

$$ATYPGCE = WSE \cdot MULT$$

where:

ATYPGCE means the gGeneration eConnection 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;

MULT means the multiplier factor applied to the weighted standard error;

3.11.12 A gGeneration eConnection project is identified as being atypical under the following two conditions:

$$FDC - VGCE > ATYPGCE$$

or

$$FDC - VGCE < -ATYPGCE$$

where:

FDC means the forecasted total direct cost of the project;

VGCE means the total gGeneration eConnection volume driver allowance per project, as derived in Part A of this conditionSpecial Condition 3.11;

ATYPGCE means the gGeneration eConnection volume driver atypical threshold, as set out in Appendix 4.

Part C: Mid-period recalibration of unit costs for Generation Connection Volume Driver term (GCEt)

3.11.13 The licensee may request from the Authority a recalibration of the unit costs as set out in Appendix 3our unredacted RIIO-3 Final Determinations in Regulatory Year 2028-29.

3.11.14 A recalibration may occur only if the licensee provides evidence of the following criteria:

- (a) The difference between expected and actual direct total costs and expected and actual allowances across all projects that would not be classified as atypical is greater than $\pm 7.5\%$ of total allowances; and
- (b) 60% or more of the difference between costs and allowances are caused by a change in the projects being sanctioned or expected to be sanctioned.

3.11.15 The licensee must provide detailed cost information, including a breakdown of cost items for each project. The Authority may engage with the licensee on what information is required and its format after the initial request is made.

3.11.16 For the purposes of assessing the proportion of cost and allowance differences attributable to portfolio changes, the portfolio of projects used to set the initial unit rates will serve as the baseline. Changes should be measured based on projects being added to or removed from this baseline portfolio, rather than changes in scope, design, or cost within the same projects. This ensures that recalibration reflects material shifts in the composition of the portfolio rather than internal project variations.

3.11.17 The Authority may request additional information at its discretion through a supplementary question (SQ) process.

3.11.18 If the criteria are met, the Authority may set recalibrated unit costs to apply to allowances in each Regulatory Year starting from Regulatory Year 2028-29 up to and including the first two Regulatory Years of the next price control period starting on 1 April 2031. The Authority may change the unit rate values set out in **Appendix 3our unredacted RIIO-3 Final Determinations** by direction.

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

3.10.23.11.19 Before making such a direction under paragraph 3.9.7, 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 not be less than up to 28 days. **unless the Authority determines that a longer period is appropriate.**

3.11.20 The direction will set out any adjustments to the values in unit rate values set out in **Appendix 3our unredacted RIIO-3 Final Determinations**.

3.11.21 The recalibrated unit costs will not apply to allowances in previous Regulatory Years.

Part D: Timing of project connection and eligibility for the Generation Connection **Vvolume **D**driver term (GCE_t)**

3.11.22 Projects where the **g**Generation **e**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 **V**volume **D**driver for RIIO-ET2, as set out in Special Condition 3.23 ET2/ET3 Crossover adjustments (T2ACA_t) under the uncertainty mechanism crossover term T2GCE_t.

3.11.23 Projects where the **g**Generation **e**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 **V**volume **D**driver as set out in Parts A and B of **this condition Special Condition 3.11.**

3.11.24 Projects where the **g**Generation **e**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-Special Condition 3.11.

Appendix 1

Profiling factors (PGCE_{t,p})

<u>p=year of delivery</u>	<u>t=2026 /27</u>	<u>t=2027 /28</u>	<u>t=2028/ 29</u>	<u>t=2029 /30</u>	<u>t=2030/ 31</u>	<u>t=2031 /32</u>	<u>t=2032 /33</u>
<u>t= year of allowanc e</u>							
<u>p=2026/27</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>p=2027/28</u>	<u>0.75</u>	<u>0.25</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>p=2028/29</u>	<u>0.5</u>	<u>0.25</u>	<u>0.25</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>p=2029/30</u>	<u>0.25</u>	<u>0.25</u>	<u>0.25</u>	<u>0.25</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>p=2030/31</u>	<u>0</u>	<u>0.25</u>	<u>0.25</u>	<u>0.25</u>	<u>0.25</u>	<u>0</u>	<u>0</u>
<u>p=2031/32</u>	<u>0</u>	<u>0</u>	<u>0.25</u>	<u>0.25</u>	<u>0.25</u>	<u>0.25</u>	<u>0</u>
<u>p=2032/33</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.25</u>	<u>0.25</u>	<u>0.25</u>	<u>0.25</u>

Appendix 2

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

<u>Baseline values</u>	<u>2026/27</u>	<u>2027/28</u>	<u>2028/29</u>	<u>2029/30</u>	<u>2030/31</u>	<u>2031/32</u>	<u>2032/33</u>
<u>BGC_p (MW or MVA)</u>	<u>0681</u>	<u>028</u>	<u>028</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>BLOHLN_p (km)</u>	<u>01935.3</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>BLCBLS_p (km)</u>	<u>029</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>BLCBLL_p (km)</u>	<u>029</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

Appendix 3

Generation Connections Volume Driver modelled unit costs

<u>Volume driver</u>	<u>Unit of measurement</u>	<u>Unit rate (£m)</u>	<u>Fixed allowance (£m)</u>
<u>Substation generation</u>	<u>MW/MVA</u>	<u>[REDACTED]</u>	<u>N/A</u>
<u>OHL new</u>	<u>km</u>	<u>[REDACTED]</u>	<u>N/A</u>
<u>Cable < 1km</u>	<u>km</u>	<u>[REDACTED]</u>	<u>N/A</u>
<u>Cable ≥ 1km</u>	<u>km</u>	<u>[REDACTED]</u>	<u>N/A</u>

Appendix 4

<u>Atypical threshold (ATYPGCE)</u>		
<u>Licence term</u>	<u>Substation capacity (MW)</u>	<u>Atypical threshold (£m)</u>
<u>ATYPGCE</u>	<u>All</u>	<u>+10.734</u>

Special Condition 3.12 Not Used

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 (UIOLI) term). This contributes to the calculation of the Totex Allowance. Closely Associated Indirects has the meaning defined in the RIGs.

3.13.2 The effect of this condition is to:

- (a) specify the associated allowance for the CAI UIOLI allowance use it or lose it;
- (b) require the licensee to comply with the CAI UIOLI Governance Document;
- (c) provide for UIOLI 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 UIOLI 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 UIOLI 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 UIOLI Use It Or Lose It Adjustment at the end of the price control period and has the value zero unless otherwise directed by the Authority specified in accordance with Part D.

Part B: CAI UIOLI Reporting Requirements 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 UIOLI 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 adjustment increase to the value of CAIFA_t.

3.13.11 An adjustment increase to the value of CAIFA_t is permitted where at least 80% of the CAI_t allowance has been spent for projects that meet the following eligibility criteria; and is for projects with forecast Direct Costs less than £150m and which receive capital expenditure under one of the following uncertainty mechanisms:

Projects receiving capital expenditure allowances 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 UIOLI use it or lose it allowance (LI_t)
- (d) Special Condition 3.18 Load Re-opener (LR_t)

Projects with forecast capital expenditure less than £150m; and

Where 80% of the CAI_t allowance has been used.

3.13.12 Applications to adjust 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 UIOLI Use It Or Lose It Adjustment (CAIR_t)

3.13.14 After the Price Control Period, the Authority will direct an amendment to the value of CAIR_t where it considers an 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 ~~or 3.13.14~~ 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 ~~and/or the CAIR_t terms~~ and the Regulatory Years to which that adjustment relates.

Appendix 1

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

	<u>2026/27</u>	<u>2027/28</u>	<u>2028/29</u>	<u>2029/30</u>	<u>2030/31</u>	<u>Total</u>
CAIA _t	79.87-70.84	79.87-70.84	79.87-70.84	79.87-70.84	79.87-70.84	399.37 354.20

Appendix 2

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

	<u>2026/27</u>	<u>2027/28</u>	<u>2028/29</u>	<u>2029/30</u>	<u>2030/31</u>	<u>Total</u>
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, and Special Condition 9.4, 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) has the meaning defined in the RIGs excluding 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 anytime 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

	<u>2026/27</u>	<u>2027/28</u>	<u>2028/29</u>	<u>2029/30</u>	<u>2030/31</u>	<u>Total</u>
<u>BSCR_t</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>

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 additional costs for Pre-Construction Works in relation to any project specified in Appendix 2; existing Load Related Expenditure;
- (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 (LRt) designated under Special Condition 3.18;
- (d) establish a process for Pre-Construction Funding to be provided for proposed CSNP Re-opener Outputs designated the Authority to make a direction providing Pre-Construction Funding 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) Transitional Centralised Strategic Network Plan 2 Delivery Track Projects to receive an uplift to the Pre-Construction Funding CF uplift from their original allowances provided during in RIIO-ET2;
- (f) establish a process for Second Transitional Centralised Strategic Network Plan (tCSNP2) Transitional Centralised Strategic Network Plan 2 Development Track Projects to receive a Pre-Construction Funding CF 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 for a the 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. 3.15.9, and 3.15.12, 3.15.17 and 3.15.25.

Part A: Formula for calculating the Pre-Construction Funding Price Control Deliverable term (PCF_t) and the Pre-Construction Funding Re-opener term (PCFRE_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 baseline sum of allowances in Appendix 24; and

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

$PCFC_t$ 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 The value of $PCFRE_t$ is derived in accordance with the following formula:

$$PCFRE_t = PCFO_t - PCFRO_t$$

where:

$PCFO_t$ means the sum of allowances directed by the Authority as a result of the Re-openers established by Part C, D and E; and

$PCFRO_t$ has the value zero unless otherwise directed by the Authority in accordance with Part F, Part G, and Part H.

Part B: What the licensee is funded to deliver

3.15.6 Appendix 1 specifies the total baseline 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 for existing projects

3.15.9 This Part relates to projects set out in Appendix 2 of this condition. ~~Special Condition 3.18 Load Re-opener and Price Control Deliverable.~~

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 paragraph 3.15.9 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 Pre-Construction Funding Re-opener

3.15.12 This Part relates to existing Second Transitional Centralised Strategic Network Plan Delivery Track Projects that had ~~PCF~~ 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 ~~to the Authority for a modification to~~ 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 3.15.1~~2~~⁵ 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 new 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 2 Development Track Projects that received Development Funding in RIIO-ET2, apply under this Part for RIIO-ET3 Pre-Construction Funding CF if they are given the proceed signal by the ISOP as “maintain” or “critical” in the Second Transitional Centralised Strategic Network Plan 2 Refresh and the licensee makes an application under Load Re-opener Special Condition 3.18 or the Authority makes a direction under Part F.

3.15.19 An application under paragraph 3.15.183.15.15 or 3.15.16 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 3.18.214, 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 3.15.15 or 3.15.16 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: Authority triggered Re-opener 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 (CSNPRT)), the Authority will by direction direct an amendment, 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.17.17a of the Electricity System Operator Licence ISOP licensee.

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 an the allowance associated with the relevant output in Appendix 2, the Authority will assess the efficient spend of the output 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.

Part I: Assessment of the outputs Price Control Deliverable (PCFRAt and PCFROt)

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 PCFRAt and PCFROt 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 n-considering whether a licensee has not been Fully Delivered, an output, in Appendix 2 under 3.15.9 the Authority will adjust the values for PCFRAt and PCFROt 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, obtained all Material Planning Consents, 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 Material 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.

3.10.33.15.31 A direction under paragraph this part 3.15.13 will set out:

- (a) the delivery status of the output that has not been Fully Delivered;
 - (b) the value of the WWRt term and the Regulatory Years to which that value relates
- (b) the value of the PCFRAt and PCFROt 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 PCFRAt and PCFROt 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 paragraph 3.15.10, 3.15.12 or 3.15.13, 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 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 3.15.126 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 3.15.213.15.13 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 WWR_t term PCFRA_t and PCFRO_t terms.

Appendix 1

Wider works Price Control Deliverable

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

Scheme Name	Output	Delivery Date	Allowance (£m)						
			21/22	22	2	2	2	A	
				/2	3	4	5	1	
				3	/	/	/	1	
					2	2	2	y	
					4	5	6	e	
								a	
								f	
								s	

Total: 301.00492.33.86

East coast 400kV upgrade (NOA code: ECUP)	Completion of overhead line works and completion of substation works by 31 March 2026 such as is required to allow future B4 boundary upgrade of 480MW.	31 March 2026	11.13	17.24	33.46	67.97	83.36	213.15
	Upgrade the re-profiled 275kV circuits to 400kV operation between Kintore, Fetteresso, Alyth and up to the boundary between the licensee's Transmission Area and SP Transmission Limited's transmission area.							
	Works completed to allow Kintore, Fetteresso and Alyth substations to operate at 400kV.							
	At Blackhillock two phase shifting transformers with a minimum rating of 920MVA to be installed.							
	To make possible a commissioning a B4 boundary uplift of 480MW							

by 31 October
2026.

Based on
FES2018
background
generation.

Appendix 2

Visual Impact Mitigation Re-opener and Pre-Construction Funding Price Control Deliverable and Enhancing Pre-existing Infrastructure Projects Allowance (PCFARO_t) (£m)

<u>EIP OSR</u>	<u>Output</u>	<u>Deliv ery date</u>	<u>2026 /27</u>	<u>2027 /28</u>	<u>2028 /29</u>	<u>2029 /30</u>	<u>2030 /31</u>	<u>Total Allowa nce</u>
	Dundee City Strategy Phase 1	31 st March 2031	4.48	4.43	4.39	4.34	4.30	21.94
	New East Coast 275 kV	31 st March 2031	7.89	7.81	7.73	7.66	7.58	38.67
	Faynuilt - Creag Dhubh Reinforcemen t	31 st March 2031	2.60	2.57	2.54	2.52	2.49	12.72
	Coire Glas PSH Connection	31 st March 2031	5.28	5.23	5.18	5.12	5.07	25.88
	Melgarve Cluster	31 st March 2031	2.07	2.05	2.03	2.01	1.99	10.13
	Strathgy Cluster	31 st March 2031	3.40	3.36	3.33	3.30	3.26	16.65
	Mossy Hill	31 st March 2031	1.00	0.99	0.98	0.97	0.96	4.92
	Tealing Solar	31 st March 2031	0.73	0.72	0.72	0.71	0.70	3.59
	Glash Gour	31 st March 2031	2.31	2.28	2.26	2.24	2.22	11.30
	Gills Bay 132kV	31 st March 2031	2.91	2.88	2.85	2.82	2.80	14.26

	<u>Reinforcement</u>							
	<u>Blackhillock Cluster</u>	<u>31st March 2031</u>	<u>0.99</u>	<u>0.98</u>	<u>0.97</u>	<u>0.96</u>	<u>0.95</u>	<u>4.86</u>
	<u>Loch Kemp</u>	<u>31st March 2031</u>	<u>1.30</u>	<u>1.28</u>	<u>1.27</u>	<u>1.26</u>	<u>1.25</u>	<u>6.36</u>
	<u>Loch Nan Eun Pumped Storage</u>	<u>31st March 2031</u>	<u>1.71</u>	<u>1.70</u>	<u>1.68</u>	<u>1.66</u>	<u>1.65</u>	<u>8.39</u>
	<u>Shin to Loch Buidhe 132kV Rebuild</u>	<u>31st March 2031</u>	<u>1.54</u>	<u>1.52</u>	<u>1.51</u>	<u>1.49</u>	<u>1.48</u>	<u>7.54</u>
	<u>Strathy Switching Collector Station</u>	<u>31st March 2031</u>	<u>1.36</u>	<u>1.35</u>	<u>1.33</u>	<u>1.32</u>	<u>1.31</u>	<u>6.66</u>
	<u>Western Isles On-Island Infrastructure</u>	<u>31st March 2031</u>	<u>3.27</u>	<u>3.23</u>	<u>3.20</u>	<u>3.17</u>	<u>3.14</u>	<u>16.01</u>
	<u>Glendye Wind Farm (East Coast)</u>	<u>31st March 2031</u>	<u>1.25</u>	<u>1.24</u>	<u>1.23</u>	<u>1.21</u>	<u>1.20</u>	<u>6.14</u>
	<u>Salamanca Tee</u>	<u>31st March 2031</u>	<u>1.57</u>	<u>1.56</u>	<u>1.54</u>	<u>1.53</u>	<u>1.51</u>	<u>7.72</u>
	<u>ASTI Stability Solutions Northeast</u>	<u>31st March 2031</u>	<u>5.76</u>	<u>5.71</u>	<u>5.65</u>	<u>5.59</u>	<u>5.54</u>	<u>28.25</u>
	<u>ASTI Stability Solutions North</u>	<u>31st March 2031</u>	<u>5.73</u>	<u>5.67</u>	<u>5.61</u>	<u>5.56</u>	<u>5.50</u>	<u>28.06</u>
	<u>Eday GSP and Subsea Cable</u>	<u>31st March 2031</u>	<u>4.28</u>	<u>4.23</u>	<u>4.19</u>	<u>4.15</u>	<u>4.11</u>	<u>20.96</u>
<u>SHT203 13</u>	<u>Dundee City Strategy Phase 1</u>	<u>31st March 2031</u>	<u>0.91</u>	<u>0.90</u>	<u>0.89</u>	<u>0.89</u>	<u>0.88</u>	<u>4.48</u>
<u>SHT203 14</u>	<u>Dundee City Strategy Phase 1</u>	<u>31st March 2031</u>	<u>3.23</u>	<u>3.20</u>	<u>3.16</u>	<u>3.13</u>	<u>3.10</u>	<u>15.83</u>
<u>SHT206 29</u>	<u>Dundee City Strategy Phase 1</u>	<u>31st March 2031</u>	<u>0.34</u>	<u>0.33</u>	<u>0.33</u>	<u>0.33</u>	<u>0.32</u>	<u>1.64</u>
<u>SHT203 68</u>	<u>East Coast Network Investment</u>	<u>31st March 2031</u>	<u>7.89</u>	<u>7.81</u>	<u>7.73</u>	<u>7.66</u>	<u>7.58</u>	<u>38.67</u>

<u>SHT203</u> <u>46</u>	<u>Taynuilt –</u> <u>Creag Dhubh</u> <u>Reinforceme</u> <u>nt</u>	<u>31st</u> <u>March</u> <u>2031</u>	<u>2.60</u>	<u>2.57</u>	<u>2.54</u>	<u>2.52</u>	<u>2.49</u>	<u>12.72</u>
<u>SHT200</u> <u>69</u>	<u>Coire Glas</u> <u>PSH</u> <u>Connection</u>	<u>31st</u> <u>March</u> <u>2031</u>	<u>4.10</u>	<u>4.06</u>	<u>4.02</u>	<u>3.98</u>	<u>3.94</u>	<u>20.11</u>
<u>SHT200</u> <u>73</u>	<u>Coire Glas</u> <u>PSH</u> <u>Connection</u>	<u>31st</u> <u>March</u> <u>2031</u>	<u>0.89</u>	<u>0.88</u>	<u>0.88</u>	<u>0.87</u>	<u>0.86</u>	<u>4.38</u>
<u>SHT201</u> <u>50</u>	<u>Coire Glas</u> <u>PSH</u> <u>Connection</u>	<u>31st</u> <u>March</u> <u>2031</u>	<u>0.25</u>	<u>0.24</u>	<u>0.24</u>	<u>0.24</u>	<u>0.24</u>	<u>1.21</u>
<u>SHT200</u> <u>689</u>	<u>Coire Glas</u> <u>PSH</u> <u>Connection</u>	<u>31st</u> <u>March</u> <u>2031</u>	<u>0.04</u>	<u>0.04</u>	<u>0.04</u>	<u>0.04</u>	<u>0.04</u>	<u>0.19</u>
<u>SHT200</u> <u>83</u>	<u>Melgarve</u> <u>Cluster</u>	<u>31st</u> <u>March</u> <u>2031</u>	<u>0.47</u>	<u>0.46</u>	<u>0.46</u>	<u>0.45</u>	<u>0.45</u>	<u>2.29</u>
<u>SHT200</u> <u>84</u>	<u>Melgarve</u> <u>Cluster</u>	<u>31st</u> <u>March</u> <u>2031</u>	<u>0.16</u>	<u>0.16</u>	<u>0.16</u>	<u>0.16</u>	<u>0.16</u>	<u>0.80</u>
<u>SHT200</u> <u>92</u>	<u>Melgarve</u> <u>Cluster</u>	<u>31st</u> <u>March</u> <u>2031</u>	<u>0.04</u>	<u>0.04</u>	<u>0.04</u>	<u>0.04</u>	<u>0.04</u>	<u>0.19</u>
<u>SHT200</u> <u>93</u>	<u>Melgarve</u> <u>Cluster</u>	<u>31st</u> <u>March</u> <u>2031</u>	<u>0.41</u>	<u>0.41</u>	<u>0.40</u>	<u>0.40</u>	<u>0.39</u>	<u>2.01</u>
<u>SHT202</u> <u>89</u>	<u>Melgarve</u> <u>Cluster</u>	<u>31st</u> <u>March</u> <u>2031</u>	<u>0.99</u>	<u>0.98</u>	<u>0.97</u>	<u>0.96</u>	<u>0.95</u>	<u>4.85</u>
<u>SHT200</u> <u>71</u>	<u>Strathy</u> <u>Cluster</u>	<u>31st</u> <u>March</u> <u>2031</u>	<u>0.20</u>	<u>0.20</u>	<u>0.20</u>	<u>0.20</u>	<u>0.20</u>	<u>1.00</u>
<u>SHT200</u> <u>72</u>	<u>Strathy</u> <u>Cluster</u>	<u>31st</u> <u>March</u> <u>2031</u>	<u>0.45</u>	<u>0.45</u>	<u>0.44</u>	<u>0.44</u>	<u>0.43</u>	<u>2.21</u>
<u>SHT200</u> <u>85</u>	<u>Strathy</u> <u>Cluster</u>	<u>31st</u> <u>March</u> <u>2031</u>	<u>0.48</u>	<u>0.48</u>	<u>0.47</u>	<u>0.47</u>	<u>0.47</u>	<u>2.37</u>
<u>SHT200</u> <u>86</u>	<u>Strathy</u> <u>Cluster</u>	<u>31st</u> <u>March</u> <u>2031</u>	<u>0.57</u>	<u>0.56</u>	<u>0.56</u>	<u>0.55</u>	<u>0.54</u>	<u>2.78</u>
<u>SHT203</u> <u>70</u>	<u>Strathy</u> <u>Cluster</u>	<u>31st</u> <u>March</u> <u>2031</u>	<u>0.45</u>	<u>0.44</u>	<u>0.44</u>	<u>0.44</u>	<u>0.43</u>	<u>2.20</u>
<u>SHT203</u> <u>71</u>	<u>Strathy</u> <u>Cluster</u>	<u>31st</u> <u>March</u> <u>2031</u>	<u>1.45</u>	<u>1.43</u>	<u>1.42</u>	<u>1.40</u>	<u>1.39</u>	<u>7.08</u>

SHT201 01	Mossy Hill	31st March 2031	0.05	0.05	0.05	0.05	0.05	0.26
SHT201 02	Mossy Hill	31st March 2031	0.01	0.01	0.01	0.01	0.01	0.06
SHT205 22	Mossy Hill	31st March 2031	0.94	0.93	0.92	0.91	0.90	4.60
SHT203 27	Tealing Solar and Storage Connection	31st March 2031	0.07	0.07	0.07	0.07	0.06	0.33
SHT203 28	Tealing Solar and Storage Connection	31st March 2031	0.07	0.07	0.07	0.07	0.07	0.36
SHT203 29	Tealing Solar and Storage Connection	31st March 2031	0.59	0.58	0.58	0.57	0.57	2.90
SHT200 88	Clash Gour	31st March 2031	0.11	0.11	0.11	0.11	0.11	0.55
SHT200 89	Clash Gour	31st March 2031	0.04	0.04	0.04	0.04	0.04	0.20
SHT206 13	Clash Gour	31st March 2031	2.15	2.13	2.11	2.09	2.07	10.55
SHT201 57	D'REAY GILLSBAY 132KV	31st March 2031	2.91	2.88	2.85	2.82	2.80	14.26
SHT201 51	TCA Elchies Windfarm	31st March 2031	0.18	0.18	0.18	0.18	0.17	0.89
SHT200 74	H1- Elchies Windfarm	31st March 2031	0.81	0.80	0.79	0.79	0.78	3.97
SHT201 91	LT000366 - Loch Kemp Pumped Storage - TCA	31st March 2031	0.22	0.22	0.22	0.22	0.22	1.10
SHT201 90	LT000367 - Loch Kemp Pumped Storage - H1	31st March 2031	1.07	1.06	1.05	1.04	1.03	5.26
SHT202 81	LT000398 - Salamander Offshore Windfarm	31st March 2031	0.13	0.13	0.13	0.13	0.13	0.64

	Connection - TCA							
SHT202 82	LT000399 - Salamander Offshore Windfarm Connection - H1 (Sole Use)	31st March 2031	0.00	0.00	0.00	0.00	0.00	-
SHT202 83	LT000400 - Loch Nan Eun Pumped Storage - TCA	31st March 2031	0.18	0.18	0.18	0.18	0.18	0.90
SHT202 84	LT000401 - Loch Nan Eun Pumped Storage - Sole Use (H1)	31st March 2031	1.53	1.51	1.50	1.48	1.47	7.49
SHT204 95	LT000499 - Shin - Loch Buidhe OHL Reconductor	31st March 2031	1.54	1.52	1.51	1.49	1.48	7.54
SHT205 05	LT000522 - Strathy Switching Station - TORI191	31st March 2031	1.36	1.35	1.33	1.32	1.31	6.66
SHT201 56	LEWIS INFRASTRU CTURE	31st March 2031	1.58	1.56	1.55	1.53	1.52	7.73
SHT203 06	LT000468 - Glendye Wind Farm TCA	31st March 2031	0.23	0.23	0.22	0.22	0.22	1.12
SHT203 07	LT000469 - Glendye Wind Farm H1	31st March 2031	1.02	1.01	1.00	0.99	0.98	5.01
SHT206 43	Arnish to Balallan 132 kV second Single Circuit	31st March 2031	1.69	1.67	1.66	1.64	1.62	8.28
SHT202 81A	Salamander Tee /Salamander Offshore	31st March 2031	1.44	1.43	1.42	1.40	1.39	7.08

	Windfarm Connection							
SHT206 91	Greens 400kV Sync Comp	31st March 2031	<u>2.74</u>	<u>2.71</u>	<u>2.68</u>	<u>2.65</u>	<u>2.63</u>	<u>13.40</u>
SHT206 92	Coachford 400kV Sync Comp	31st March 2031	<u>3.03</u>	<u>3.00</u>	<u>2.97</u>	<u>2.94</u>	<u>2.91</u>	<u>14.84</u>
SHT206 93	Banniskirk 400kV Sync Comp	31st March 2031	<u>2.84</u>	<u>2.81</u>	<u>2.78</u>	<u>2.75</u>	<u>2.72</u>	<u>13.90</u>
SHT206 94	Carnaig 400kV Sync Comp	31st March 2031	<u>2.89</u>	<u>2.86</u>	<u>2.83</u>	<u>2.80</u>	<u>2.78</u>	<u>14.16</u>
SHT206 27	0	31st March 2031	<u>0.63</u>	<u>0.62</u>	<u>0.62</u>	<u>0.61</u>	<u>0.60</u>	<u>3.08</u>
SHT206 28	0	31st March 2031	<u>3.65</u>	<u>3.61</u>	<u>3.57</u>	<u>3.54</u>	<u>3.50</u>	<u>17.88</u>
tCSNP2	Longside - Peterhead 400kV upgrade	31st March 2031	<u>0.90</u>	<u>0.89</u>	<u>0.88</u>	<u>0.87</u>	<u>0.86</u>	<u>4.39</u>
tCSNP2	Dounreay - Banniskirk 400kV Reinforceme nt	31st March 2031	<u>4.66</u>	<u>4.61</u>	<u>4.57</u>	<u>4.52</u>	<u>4.48</u>	<u>22.84</u>
tCSNP2	Blackhillock - Cairnford - Kintore 400kV Upgrade	31st March 2031	<u>5.96</u>	<u>5.90</u>	<u>5.84</u>	<u>5.78</u>	<u>5.73</u>	<u>29.21</u>
tCSNP2	Peterhead - Persley - Kintore 400kV Upgrade	31st March 2031	<u>6.52</u>	<u>6.45</u>	<u>6.39</u>	<u>6.32</u>	<u>6.26</u>	<u>31.94</u>
tCSNP2	HNDFUE HVDC Project. Shetland to Aberdeenshi re 2GW HVDC link	31st March 2031	<u>20.80</u>	<u>20.59</u>	<u>20.39</u>	<u>20.18</u>	<u>19.98</u>	<u>101.94</u>

Appendix 3

Pre-Construction Funding cross-over allowance ($VIMRE_t$ and EPI_t PCFC_t) (£m)

Output	Delivery date	2026/27	2027/28	2028/29	2029/30	2030/31	Total Allowance
[Insert]	[Insert]	0.00	0.00	0.00	0.00	0.00	0.00

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

Introduction

~~3.10.43.16.1~~ The purpose of this condition is to specify the $VIMRE_t$ (the Visual Impact Mitigation Re-opener term), and EPI_t (the Enhancing Pre-existing Infrastructure Projects term). Both These terms contribute calculate the APM_t (the APM Allowance term), which contributes to the calculation of the Totex Allowance.

~~3.10.51.1.1~~ The effect of this condition is to:

3.16.2 The effect of this condition is to:

- (a) specify the APM Allowance;
- (b) provide for an APM Allowance adjustment;
- ~~(a)(c)~~ require the licensee to update its Mitigating Pre-existing Infrastructure Policy submit specified information in relation to use of the APM Allowance;
 - (b) specify the outputs, delivery dates and associated allowances for the Visual Impact Mitigation Price Control Deliverable;
 - (c) establish a Re-opener for the licensee to trigger amendments to the Visual Impact Mitigation Price Control Deliverable;
- (d) provide for an assessment disallowance of the Visual Impact Mitigation Price Control Deliverable; and ineligible APM Expenditure under the APM Allowance;
 - (e) provide for the Authority to specify, during the first year of the Price Control Period, the outputs, delivery dates and associated allowances for Enhancing Pre-existing Infrastructure Projects.
- (e) Formulae 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 B:~~ Part A: Formula for calculating the Visual Impact Mitigation Re-opener ($VIMRE_t$ APM Allowance term (APM_t))

~~3.10.63.16.3~~ The value of the term $VIMRE_t$ APM_t is derived in accordance with the following formula:

$$VIMRE_t = VIMO_t - VIMRO_t$$

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

where:

~~VIMO_t~~ means the sum of allowances directed by the Authority in accordance with Parts D and F; and

~~VIMRO_t~~ has the value zero unless otherwise directed by the Authority in accordance with Part G.

~~3.10.7—The total value of VIMRE_t for all Transmission Licensees during the Price Control Period will not exceed the amount specified in Appendix 2.~~

Part C: Visual Impact Mitigation Price Control Deliverable

~~3.10.8—Appendix 1 specifies the Visual Impact Mitigation Price Control Deliverable that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.~~

Part D: Mitigating Pre-existing Infrastructure Policy

~~3.10.9—The licensee must update its Mitigating Pre-existing Infrastructure Policy for the Price Control Period before making an application under Part B or providing information to the Authority to calculate the NTMP_t term in accordance with Special Condition 5.4 (Non-Technical Mitigation Projects allowance).~~

~~3.10.10—The Mitigating Pre-existing Infrastructure Policy must include:~~

- ~~(a) the licensee's objectives for delivering Visual Impact Mitigation Price Control Deliverables and Non-Technical Mitigation Projects, including how these have been informed by the licensee's statutory duties and stakeholders' views;~~
- ~~(b) details of how the licensee will work with other licensees, relevant national and statutory bodies, and other interested stakeholders to maximise the benefits to consumers of Visual Impact Mitigation Price Control Deliverables and Non-Technical Mitigation Projects during the Price Control Period;~~
- ~~(c) a proposed methodology to identify opportunities for ensuring best value for Visual Impact Mitigation Price Control Deliverables and Non-Technical Mitigation Projects on the National Electricity Transmission System;~~
- ~~(d) proposed criteria to evaluate and prioritise Visual Impact Mitigation Price Control Deliverables and Non-Technical Mitigation Projects including visual amenity benefits, value for money, and other environmental impacts;~~

- ~~(e) a description of the potential measures by which the licensee could deliver Visual Impact Mitigation Price Control Deliverables and Non-Technical Mitigation Projects;~~
- ~~(f) a description of the licensee's governance processes for funding, and monitoring the delivery of Non-Technical Mitigation Projects, as well as providing progress updates to stakeholders; and~~
- ~~(g) an explanation of how the licensee will review and revise the Mitigating Pre-existing Infrastructure Policy so that it is consistent with industry best practice.~~

~~3.10.11 The licensee must use its best endeavours to apply the Mitigating Pre-existing Infrastructure Policy.~~

~~3.10.12 Before revising the Mitigating Pre-existing Infrastructure Policy, the licensee must submit a copy of the proposed revisions to the Authority.~~

~~3.10.13 The Authority will either:~~

~~approve the proposed revisions;~~

~~(a)~~

~~(b)(a) reject the proposed revisions; or~~

~~(c) reject the proposed revisions and give recommendations as to alternative revisions that it considers should be made.~~

Visual Impact Mitigation

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 E:~~Part B: APM Re-opener of APM Cost Categories

~~3.10.14 The licensee may apply to the Authority for a to make amendments to the APM Governance Document by direction adding a with respect to additions of new Visual Impact Mitigation Price Control Deliverable and associated allowance to Appendix 1.~~

~~3.10.15 The licensee may only apply to the Authority under paragraph 3.10.11 on, or before 30 June 2025, or by such later deadline as the Authority may direct.~~

~~3.10.16 An application under paragraph 3.10.11 must be made in writing and:~~

~~(a) set out the amendments sought to Appendix 1;~~

~~(b) describe the proposed Visual Impact Mitigation Price Control Deliverable and the estimated benefits it will deliver in relation to the mitigation of~~

~~impacts/modifications of pre-existing transmission infrastructure on the visual amenity of a Designated Area;~~

- ~~(c) include detailed supporting evidence that the proposed Visual Impact Mitigation Price Control Deliverable has been identified and prioritised in accordance with the licensee's Mitigating Pre-existing Infrastructure Policy;~~
- ~~(d) include forecast costs for delivering the Visual Impact Mitigation Price Control Deliverable, with an expenditure profile for all Regulatory Years of delivery, and a breakdown of the total costs including incurred and forecast costs of preliminary development work to decide the feasibility of a Visual Impact Mitigation Price Control Deliverable;~~
- ~~(e) include analysis of any relevant issues in relation to the proposed Visual Impact Mitigation Price Control Deliverable that might reduce the feasibility of delivering the proposed Visual Impact Mitigation Price Control Deliverable or significantly increase the costs;~~
- ~~(f) include proposed timescales for delivery of the proposed Visual Impact Mitigation Price Control Deliverable; and~~
- ~~(g) include such further detailed supporting evidence as is reasonable in the circumstances.~~

~~Part F: Enhancing Pre-existing Infrastructure Projects (EPI_t)~~

~~3.10.17 The value of the term EPI_t is the sum of allowances in Appendix 3.~~

~~3.10.18 In the first Regulatory Year of the Price Control Period, the Authority will direct amendments to Appendix 3 to add the Enhancing Pre-existing Infrastructure Projects that the licensee has submitted to the Authority prior to the start of the Price Control Period and for which no Price Control Period allowance has been provided.~~

~~Part G: Cost And Output Adjusting Event~~

~~3.10.19~~3.16.4 The licensee may apply to the Authority for a direction amending Appendix 1 or 3 where there has been a APM Cost And Output Adjusting Event if: Categories.

- ~~(a) the following criteria are met:~~
 - ~~i. — the licensee could not have economically and efficiently planned a contingency for the Cost And Output Adjusting Event;~~
 - ~~ii. — the Cost And Output Adjusting Event has caused expenditure to increase or decrease by at least 20% relative to the relevant allowance for the Visual Impact Mitigation Price Control Deliverable or Enhancing Pre-existing Infrastructure Project, or by at least such other percentage as the Authority directs; and~~
 - ~~iii. — the increase or decrease in expenditure is expected to be efficiently incurred or saved; or~~

~~(b) an event specified by the Authority in the direction that added the Visual Impact Mitigation Price Control Deliverable to Appendix 1 or added the Enhancing Pre-existing Infrastructure Project to Appendix 3 has occurred.~~

~~3.10.20 The percentage in paragraph 3.10.16(a)(ii) is calculated before the application of the Totex Incentive Strength.~~

~~3.10.21 Unless the Authority otherwise directs, the licensee must make the Any application under paragraph 3.10.16:~~

~~(a) as soon as is reasonably practicable after the Cost And Output Adjusting Event has occurred; and~~

~~(b) in any event before the end of the period of three months beginning with the end of the Regulatory Year in which the Cost And Output Adjusting Event occurred.~~

~~3.10.22 An application under paragraph 3.10.16 this Part must be made in writing to the Authority and must :~~

~~(a) include detailed supporting evidence that a Cost And Output Adjusting Event meeting the requirements set out in paragraph 3.10.16 has occurred;~~

~~(b) set out any amendments requested to Appendix 1 or Appendix 3;~~

~~3.10.23 3.16.5 explain the basis of the calculation, for any each proposed adjustment to the allowances in Appendix 1 or Appendix 3, 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 Cost And Output Adjusting Event had not occurred; and new APM Cost Category or amendment to an existing APM Cost Category:~~

~~(a) 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 Visual Impact Mitigation Price Control Deliverable or Enhancing Pre-existing Infrastructure Project, the proposed adjustments fairly reflect the effects of the Cost And Output Adjusting Event.~~

~~Part H: Assessment of Visual Impact Mitigation Price Control Deliverable (VIMRO_t)~~

~~3.10.24 The Authority will, in accordance with 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 VIMRO_t where the licensee has not Fully Delivered an output in Appendix 1.~~

~~Part I: Part A: What process will the Authority follow in making a direction?~~

~~3.10.25 Before making a direction under paragraph 3.10.11, 3.10.15, 3.10.16 and 3.10.20 the Authority will publish on the Authority's Website:~~

~~(a) the text of the proposed direction;~~

~~(b) (a) the reasons for the proposed direction; and~~

- (a) a period during which representations 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
- (e) any further information as may be made on the proposed direction, which will not be less than 28 days.

3.10.26 A direction under paragraph 3.10.11 will set out:

- (a) any amendments to Appendix 1; and
- (b) any individual criteria for a Cost And Output Adjusting Event specific to that Visual Impact Mitigation Price Control Deliverable.

3.10.27 A direction under paragraph 3.10.15 will set out:

- (a) any amendments to Appendix 3; and
- (b) any individual criteria for a Cost And Output Adjusting Event specific to that Enhancing Pre-existing Infrastructure Project.

3.10.28 A direction under paragraph 3.10.16 will set out any amendments to Appendix 1 or 3.

3.10.29 A direction under paragraph 3.10.20 will set out:

- ~~(a) the delivery status of the output that has not been Fully Delivered;~~
- ~~(b) the value of the VIMRO_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 VIMRO_t term.~~

Appendix 3

Visual Impact Mitigation Price Control Deliverable

Project name and Designated Area	Allowance (£m)					All years
	21/22	22/23	23/24	24/25	25/26	
	2	3				
	N/A	N/A	N/A	N/A	N/A	N/A

Project name	Output	Delivery date
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~~Appendix 4~~Appendix 1

~~Maximum value (£m) of the sum of VIME term for all Transmission Licensees during the Price Control Period~~

£465

Appendix 5

~~Enhancing Pre-existing Infrastructure Project allowance~~

Project name and Designated Area	Allowance (£m)					All years
	21/22	22/23	23/24	24/25	25/26	
Glen Falloch and Sloy mitigation projects, Loch Lomond and the Trossachs National Park	7.054	0.889				7.943
Killin mitigation project, The Loch Lomond, and the Trossachs National Park	17.537	2.773				20.310

Project name	Description of project	Delivery date
Glen Falloch Mitigation Project	Remove a 4.5km section of a 132kV double circuit overhead line, and 13 steel lattice towers, and install 4.5km underground cable from from Derrydaroch and Crianlarich. Install two air-insulated outdoor sealing ends by existing towers (steel lattice tower based) to connect the new section of underground cables to the existing overhead lines.	31 March 2022
Sloy Mitigation Project	Remove 3km (three sections approximately 1km each) of 132kV double circuit overhead line, and 12 steel lattice towers, and install 3.1 km	31 March 2022

~~underground cable between Sloy Dam and Sloy Power Station.~~

~~Install four two-woodpole-based air-insulated sealing ends to connect the new section of underground cables to the existing overhead lines for the two sections heading east toward Sloy Power Station.~~

~~Install one air-insulated sealing end (steel lattice tower based) near existing tower to connect the new section of underground cables to the existing overhead lines for the section heading west toward Sloy Dam.~~

~~Use gas-insulated sealing ends, where underground cables will terminate into the new terminations on the existing gas-insulated switchgear at Sloy Switching Station.~~

Killin mitigation project

~~Remove 7.8km of overhead line and 32 steel lattice towers between Killin substation and Lix Toll and install two 4.5km underground cables.~~

April 2024

~~Install two air-insulated outdoor sealing ends by existing towers to connect the new section of underground cables to the existing overhead lines.~~

~~Generation Connections volume driver (GCE_t)~~**Introduction**

~~3.10.30 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.~~

~~3.10.31 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.~~

~~3.10.32 The 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 2026.~~

~~Formula for calculating the Generation Connections volume driver term (GCE_t)~~

~~3.10.33 The value of GCE_t is derived in accordance with the following:~~

$$GCE_t = \sum_{p=2021/22}^{2027/28} VGCE_p \cdot PGCE_{t,p} + (TPG_t - TPRG_t)$$

~~where:~~

t	means the Regulatory Year for which the allowed expenditure is calculated;
p	means the Regulatory Year in which the Generation Connection is delivered;
VGCE_p	is the generation connection volume driver allowance as derived in accordance with paragraph 3.11.5; and
TPG_t	means the total expenditure efficiently incurred in the 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;
TPRG_t	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 the Regulatory Year; and
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.

~~3.10.341.1.1 The value of VGCE_p is derived in accordance with the following formula:~~

$$VGCE_p = GUC \cdot (AGC_p - BGC_p) + OHLGUC \cdot (ALOHL_p - BLOHL_p) + OHLRGUC \cdot (ALOHLR_p - BLOHLR_p) + CBLSGUC \cdot (ALCBLS_p - BLCBLS_p) + CBLLGUC \cdot (ALCBLL_p - BLCBLL_p) + GCONfix \cdot (AGCON_p - BGCON_p)$$

~~where:~~

GUC	means the Generation Connection Capacity unit cost allowance as set out in Appendix 2;
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 3;
OHLGUC	means the new build overhead line activity unit cost allowance as set out in Appendix 2;
ALOHL _p	means the actual length of new build overhead line activity in circuit kilometres commissioned as part of delivering the AGC _p in Regulatory Year p;
BLOHL _p	means the baseline length of new build overhead line activity in circuit kilometres as part of delivering the BGC _p in Regulatory Year p, as set out in Appendix 3;
OHLRGUC	means the unit cost allowance for overhead line reconductoring activity as set out in Appendix 2;
ALOHLR _p	means the actual length of overhead line reconductoring activity in circuit kilometres commissioned as part of delivering the AGC _p in Regulatory Year p;
BLOHLR _p	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 3;
CBLSGUC	means the unit cost allowance for underground cable less than 1km, as set out in Appendix 2;
ALCBLS_p	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;
BLCBLS _p	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 3;
CBLLGUC	means the unit cost allowance for underground cable equal to or greater than 1km as set out in Appendix 2;
ALCBLL _p	means the actual length of new underground cable in circuit kilometres equal to or greater than 1km commissioned as part of delivering the AGC _p in Regulatory Year p;
BLCBLL _p	means the baseline length of new underground cable in circuit kilometres equal to or greater than 1km commissioned as part of delivering the BGC _p in Regulatory Year p, as set out in Appendix 3;
GCONfix	means the fixed revenue for each new Generation Connection project delivered, as set out in Appendix 2;

AGCON_p means the actual number of Generation Connection projects delivered in Regulatory Year p; and

BGCON_p means the baseline number of Generation Connection projects delivered in Regulatory Year p, as set out in Appendix 3.

~~Appendix 6~~Appendix 1

~~Profiling factors (PGCF_{t,p})~~

p=year of delivery t= year of allowance	t=2021/2 2	t=2022/2 3	t=2023/2 4	t=2024/2 5	t=2025/2 6	t=2026/2 7	t=2027/2 8
p=2021/2 2	1	0	0	0	0	0	0
p=2022/2 3	0.75	0.25	0	0	0	0	0
p=2023/2 4	0.5	0.25	0.25	0	0	0	0
p=2024/2 5	0.25	0.25	0.25	0.25	0	0	0
p=2025/2 6	0	0.25	0.25	0.25	0.25	0	0
p=2026/2 7	0	0	0.25	0.25	0.25	0.25	0
p=2027/2 8	0	0	0	0.25	0.25	0.25	0.25

~~Appendix 7~~Appendix 1

~~Unit cost allowances for Generation Connection Capacity, overhead lines, underground cables, and delivered Generation Connection projects~~

GUC (£m/MW or MVA)	0.057
OHLGUC (£m/km)	0.263
OHLRGUC (£m/km)	0.257
CBLSGUC (£m/km)	3.578
CBLLGUC (£m/ km)	0.914
GCONfix (£m)	0.811

~~Appendix 8~~Appendix 1

~~Baseline Generation Connection Capacity, length of overhead lines, length of underground cables, and delivered Generation Connection projects~~

Baseline values	Regulatory Year						
	2021/2	2022/2	2023/2	2024/2	2025/2	2026/2	2027/2
	2	3	4	5	6	7	8
BGC _p (MW or MVA)	0	0	0	0	0	0	0
BLOHL _p (km)	0	0	0	0	0	0	0
BLOHLR _p (km)	0	0	0	0	0	0	0
BLCBL _S _p (km)	0	0	0	0	0	0	0
BLCBL _L _p (km)	0	0	0	0	0	0	0
BGC _{ON} _p (#)	0	0	0	0	0	0	0

~~Special Condition 3.11 Not used~~

~~Special Condition 3.12 Large onshore transmission investment Re-opener (LOTIA_t and LOTIRE_t)~~

~~Introduction~~

~~3.12.1 The purpose of this condition is to specify the value of the terms LOTIA_t (the large onshore transmission investment allowance term) and LOTIRE_t (the large onshore transmission investment Re-opener term). These contribute to the calculation of the Totex Allowance.~~

~~3.12.21.1.1 The effect of this condition is to:~~

- ~~(a) specify any LOTI Outputs, delivery dates and allowances;~~
- ~~(b) establish a Re-opener for the licensee to apply for an adjustment to its allowed expenditure where there is a need for additional investment in the licensee's Transmission System; and~~

~~(c)~~(d) establish the LOTI Guidance and Submissions Requirements required by the APM Governance Document.

3.16.6 ~~This condition also sets out~~An application under this Part may only be submitted during the process 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 follow when making~~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 1.1.1 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 1.1.1~~changes as a result of the.~~

Part A: APM Re-opener of Bespoke Procurement Allowances

~~Part B: Formulae for calculating the large onshore transmission investment allowance term (LOTIA_t) and the large onshore transmission investment Re-opener term (LOTIRE_t)~~

3.12.3 ~~The value of LOTIA_t is equal to the baseline allowances in Appendix 1.~~

3.12.4 ~~The value of LOTIRE_t is the sum of allowances determined in accordance with Parts B and G.~~

~~Part C: Scope of this Re-opener and pre-application requirements~~

3.16.8 ~~The licensee may, in respect of any LOTI, apply to the Authority for a Project Assessment Decision 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 1.1.1~~an associated modification~~are satisfied; and

(a) a spreadsheet setting out the licensee's calculation of the value of the proposed amendment.

3.16.10 ~~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.~~

~~3.12.5~~3.16.11 ~~The Authority will make a direction amending the value in Appendix 2 where it considers that the requirements in paragraph 3.16.9 to specify a LOTI Output, a delivery date and associated allowances have been satisfied.~~

Part B: Any APM Re-opener of the APM Cap

3.16.12 The licensee may apply to the Authority to make amendments to the value of the APM Cap (APMC_t) in Appendix 1.

3.16.13 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.

3.16.14 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.

3.12.63.16.15 A modification under paragraph 3.13.6 this Part will be made under section 11A of the Act.

Part C: Authority-triggered Re-opener

3.16.16 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.

3.16.17 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.

3.16.18 The Authority may amend the value shown in Appendix 2 by direction where the licensee reports through the Regulatory Reporting Pack (RRP) that a portion of the Bespoke Procurement allowance specified in Appendix 2 has been allocated to the APMR_t since the previous RRP 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 RRP Regulatory Reporting Pack submission.

3.16.19 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.

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

3.16.21 Before making a direction under Part B, Part C or paragraphs 3.16.15 to 3.16.17 3.16.16 to 3.16.18, 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.

3.16.22 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 E: Reporting requirements

3.16.23 To inform calculation of APMS_t, the licensee must report any expenditure it has incurred against the APM Allowance to the Authority through the RRP Regulatory Reporting Pack for each Regulatory Year. The information required in relation to APMS_t through the RRP 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_s, or range of delivery dates permitted under the contract(s);
- (e) the named project that the Equipment or Related Services_s 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.

3.16.24 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 RRP Regulatory Reporting Pack for each Regulatory Year. The information required through the RRP Regulatory Reporting Pack in relation to $APMR_t$ in the RRP Regulatory Reporting Pack will include:

(a) Ofgem scheme reference;

(b) project reference and scheme name;

(c) relevant funding mechanism and Special 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.

3.16.25 As part of the RRP 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 F: Status of expenditure

3.16.26 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 G: Ineligible APM Expenditure

3.16.27 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 3.16.24) 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 as a CATO Project 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 RRP 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.

3.16.28 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 RRP Regulatory Reporting Packs. The Authority will review licensee performance against this requirement following submission of RRP Regulatory Reporting Packs following the end of each Regulatory Year.

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

Part H: APM Governance Document

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

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

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

3.16.33 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 Special 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 CATO Projects 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.

3.16.34 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.

3.16.35 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 $APMC_t$

	<u>Value of term (£m)</u>
<u>$APMC_t$</u>	<u>Has the value given in the APM Register</u>

Appendix 2 (confidential)

Bespoke Procurement allowance

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

Appendix 3 (confidential)

Value of $APMD_t$

<u>Term</u>	<u>$APMD_t$ value (£m)</u>
<u>$APMD_t$</u>	<u>Has the value given in the APM Register</u>

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; and
- (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:

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

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; and
- 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.
- LIA_t means the sum of allowances in Appendix 1; and
- LIRD_t has the value zero unless otherwise directed by the Authority in accordance with Part GD.

Part B: Eligibility Criteria

3.17.4 The licensee may use the load use it or lose it allowance Load UIOLI 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, the forecast costs of which are at least £10.31m greater than or less than the level that could be provided for under Special Condition 3.10(Demand Connection volume driver);
- (b) Demand Connection projects, including all infrastructure related to that project;
- (c) projects requested in writing by the ISOP relating to their determination that a system operability, constraint management, 0MW 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 System Operator Transmission Owner Code (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 investment 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

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 ~~and LR_t~~ (the Load Re-opener term). This contributes to the calculation of the Totex Allowance.^a

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 ~~Load Re-opener~~ 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 ~~an associated 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 ODI-F (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 ~~G~~ 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 ~~for a~~ 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 Document~~ Load Re-opener Guidance and Submission Requirements Document.

3.12.73.18.9 Before applying for a Project Assessment Decision under paragraph ~~3.18.72, 76~~ 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 ~~by direction; in RIIO-3 Final Determinations~~ or otherwise directed by the Authority under Part D; or
 - ii. ~~submit an Initial~~ the Authority's approval of Needs Case ~~to the Authority for consideration as provided for in Part E, unless relieved of this requirement by the Authority by direction; in RIIO-3 Final Determinations~~ or otherwise directed by the Authority under Part D.
- (b) confirm all ~~Material Planning Consent~~ material planning consent applications, in instances where these consents are required, have been submitted, unless relieved of this requirement by the Authority.

3.12.83.18.10 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) ~~obtain~~ The first five working days in April in the Authority's approval of a Final Needs Case ~~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 provided for in~~ otherwise directed by the Authority.

3.12.93.18.11 Any modification under this Part ~~F~~ will be made under section 11A of the Act.

Part D: LOTI Outputs

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

3.12.10 The licensee must ~~deliver the LOTI Outputs specified in Appendix 2 by the delivery dates specified in Appendix 2.~~

Part E: Approval of eligibility to apply for a LOTI submit an Eligibility Letter to the Authority for a proposed Load Re-opener Output

3.12.113.18.13 Not less than three months prior to the licensee's intended date for submitting an Initial Needs Case, approval of eligibility to apply must be sought by way ahead of any application for a Project Assessment Decision under **Part-D C** of written submission to the Authority this condition, unless the Authority relieves the licensee relieved of this requirement by direction, including statements setting out the Authority after RIIO-3 Final Determinations or otherwise directed by the Authority.

(a) why the investment is a LOTI;

(b) When submitting an Eligibility Letter for a brief description of the LOTI; and

3.12.123.18.14 if proposed Load Re-opener Output, the licensee considers that must comply with the timings for the assessment of the LOTI should be different to the timings requirements set out in Parts E or F, proposed alternative timings. the Load Re-opener Guidance **and Submission Requirements** Document.

Part E: ~~Part A:~~ Initial Needs Case

3.18.15 If the Authority approves eligibility to apply under Part D, or the Authority has relieved the licensee of the requirement to obtain approval of eligibility to apply, 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 **F-E** before a Project Assessment Decision under Part **D-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 2026 **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 3.18.1**35**(a) in writing within **threesix** months, and its decision under 3.18.1**35**(b) in writing within **three months**.

Part D: Needs Case

3.12.133.18.18 Initial The licensee must submit a Needs Case to the Authority for consideration, **unless otherwise directed by the Authority,** if the Authority:

(a) determines that a Needs Case is required under Part ED 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

1.1.1(a)i.Part A: it will publish its reasons in writing as set out under 3.18.17An Initial,

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

3.12.14 A Needs Case must be submitted:

3.12.153.18.21 not no less than twelve months prior to the licensee's intended date for issuing its Final Statutory Planning Consultation; or, unless otherwise directed by the Authority.

(a) by such other date as The Authority may direct.

Part F: Final will aim to provide its decision on a Needs Case

3.12.16 If the licensee has submitted an Initial Needs Case to the Authority in respect writing within six months of which the Authority has published a response, or the Authority has relieved the licensee of the requirement to submit an Initial Needs Case by direction, the licensee may seek the Authority's approval of the Final Needs Case.

3.12.173.18.22 Unless the Authority otherwise directs, approval may only be sought after the licensee has secured all material planning consents. receipt.

Part G:Part E: Cost And Output Adjusting Event

3.12.18 The licensee may only apply to the Authority for a direction under this Part amending a LOT for a modification to the Load Re-opener Output, delivery date or associated allowances in Appendix 1 or Appendix 2 where:

3.12.193.18.23 it considers there has been one or more Cost And Output Adjusting Events; and 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 if the following requirements are met:

(a) , 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 event or events; and Cost And Output Adjusting Event or Cost And Output Adjusting Events; or
- ii. the licensee could not have economically and efficiently planned a contingency for the event or events Cost And Output Adjusting Event.

~~3.12.20~~ The licensee may only apply for a direction under this Part to adjust allowances modify the Load Re-opener Outputs in Appendix 21 only where:

~~3.18.25~~ (a) expenditure has been caused there is a significant change to increase or decrease by at least the the scope of the relevant Load Re-opener Output.

~~3.18.26~~ The percentage specified referred to in, or in accordance with, paragraph 3.18.234(a) is:

(a) 10%; or

(b) such other percentage as the Authority may specify by direction.

~~3.18.27~~ 13.17, The percentage threshold in paragraph 3.18.234 (a) is calculated before the application of the Totex Incentive Strength Mechanism Rate, relative to the relevant allowance in Appendix 2 by the event or if,

Where there has been more than one event;

i. — by each event; or

~~3.12.21~~ 3.18.28 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 LOT Load Re-opener Output should count cumulatively towards the percentage threshold, by any one or more events; and,

(b) the increase or decrease in expenditure is expected to be efficiently incurred or saved.

~~3.12.22~~ The percentage referred to in paragraph 3.13.16 is:

(a) 20%; or

(b) in relation to the Shetland HVDC Link:

i. — for Shetland HVDC Link Covid Costs 0%; or

~~(c)~~ (a) for other costs 10%; or

(d) such other percentage as the Authority may specify by direction.

~~3.12.23~~ 3.18.29 Unless the Authority otherwise directs, the licensee must make any application under this Part no later than before the end of the period of three months beginning with after the delivery date for the LOT Load Re-opener Output.

~~3.12.24~~ 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 ~~meeting~~has occurred which meets the requirements set out in paragraph 3.13.15 and, where applicable, 18.234 or paragraph 3.13.16, has occurred18.245;
- (b) set out any amendments requested to the LOTI Load Re-opener Output, the delivery date 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 2, ~~which must be designed to keep, so far as is reasonably practicable, the financial position of the licensee the same as if the Cost And Output Adjusting Event had not occurred~~1; and
- (d) include a statement from a technical adviser, ~~who is external to and independent from the licensee, whether stating that~~, considered in the context of the value of the LOTI Load Re-opener Output, the proposed adjustments to the LOTI Load Re-opener Output, the delivery date or associated allowances ~~fairly~~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) ~~direction~~ will be:

- ~~(e)(a)~~ the relevant Independent Technical Adviser if one has been appointed under this Part may modify Appendix Special Condition 6.2 to: (Independent Technical Adviser) for the Load Re-opener Output; or
 - ~~(f)~~ amend the description of the LOTI Output to which the Cost and Output Adjusting Event relates;
 - ~~(g)~~ adjust allowances for that LOTI Output;
 - ~~(h)~~ amend the delivery date for that LOTI Output.
- (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.

~~3.12.25~~3.18.32 The Authority may make a ~~direction~~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 LOTI Load Re-opener Output; and
- (c) the requirements of paragraphs 3.18.243.13.15 to 3.18.303.13.19, ~~where applicable,~~ have been met; ~~and,~~
 - ~~(d) the proposed modifications to Appendix 2 have the effect so far as is reasonably practicable of keeping the financial position and performance of the licensee the same as if the Cost And Output Adjusting Event had not occurred.~~

3.18.33 ~~Before making a direction~~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 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 G: Assessment of the Price Control Deliverable (LRt)

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 LRAAt where the licensee has not Fully Delivered an output in Appendix 1.

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

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

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) ~~at the~~ period during which representations may be made on the proposed direction, which will ~~not be less than~~ up to 28 days unless the Authority determines that a longer period is appropriate.

3.18.38 A direction in respect of Part H: ~~LOTI~~ 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 H: ~~Part I: Load Re-opener~~ Guidance ~~and~~ Submissions ~~Submission~~ Requirements Document

3.12.273.18.39 The licensee must comply with the ~~LOTI~~ Load Re-opener Guidance and Submissions Submission Requirements Document when making an application under Part ~~BC~~, Part F, or Part G, ~~or if seeking approval under Part D or Part F or making a submission under Part E.~~

3.12.283.18.40 The Authority will issue and amend the ~~LOTI~~ Load Re-opener Guidance and Submissions 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)

<u>Project name</u>	<u>Outputs</u>	<u>Delivery date</u>	<u>2026</u> <u>/27</u>	<u>2027</u> <u>/28</u>	<u>2028</u> <u>/29</u>	<u>2029</u> <u>/30</u>	<u>2030</u> <u>/31</u>	<u>Total</u>
<u>Tealing bypass</u>	<u>Installation of a bypass around the Phase Shifting Transformers (PST) on the XT1 feeder and XT2 feeder at Tealing substation</u>	<u>30 June 2027</u>	<u>4.10</u>	<u>2.22</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>6.32</u>

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 H).

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:

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

Part B: CSNP Re-opener Outputs

3.19.5 The CSNP Re-opener Outputs specified in Appendix 1 must be Fully Delivered delivered to the full specification no later than 12 months after the delivery date specified in Appendix 1.

3.19.6 After the a CSNP Re-opener Output specified in Appendix 1 has been Fully Delivered 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 3.19.8LOTI 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) ~~that~~ 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 ~~and delivery dates~~, have regard to relevant provisions of the CSNP. The Authority will specify a delivery date ~~that it is equal to the P50 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.

3.12.293.19.12 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 ~~on the Authority's Website.~~

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 under this Part to adjust allowances in Appendix 1 where:

(a) expenditure has increased or decreased by at least the percentage specified in paragraph 3.19.18, 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 under this Part 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 CSNP-F (Major Projects output delivery incentive (MPI_t))

3.19.26 The Authority will modify the delivery dates 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 a 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_D_t)

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_D_t 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 The LOTIBefore 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 this 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.

3.12.303.19.32 The CSNP Re-opener Guidance and Submissions Requirements Document will make provision about the detailed requirements for Parts B, D, E, F and G.

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

3.12.313.19.34 Before directing that the ~~LOTI~~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 ~~LOTI~~CSNP Re-opener Guidance and Submissions Requirements Document;
- (b) the date on which the Authority intends the ~~LOTI~~CSNP Re-opener Guidance and Submissions Requirements Document to come into effect; and
- (c) ~~at the~~ period during which representations may be made on the text of the proposed ~~LOTI~~CSNP Re-opener Guidance and Submissions Requirements Document, which will ~~not be less than~~ up to 28 days unless the Authority determines that a longer period is appropriate.

3.12.323.19.35 Before directing an amendment to the ~~LOTI~~The Authority will publish the CSNP Re-opener Guidance and Submissions Requirements Document, the Authority will publish on the Authority's Website:

3.12.333.19.36 the text of the amended ~~LOTI~~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 LOTI CSNP Re-opener Guidance and Submissions Requirements Document to come into effect;

(c) the reasons for the amendments to the LOTI CSNP Re-opener Guidance and Submissions Requirements Document; and

(e) a period during which representations may be made on the amendments to the LOTI CSNP Re-opener Guidance and Submissions Requirements Document, which will not be less than up to 28 days.

Part I: Shetland HVDC Link large project delivery adjustments

(d) In relation to the Shetland HVDC Link, where the LOTI Output is not delivered in full before the delivery date specified in Appendix 2, unless the Authority will make modifications to the special conditions of this licence to reprofile allowances and to impose a project delay charge by recouping net liquidated damages received by the licensee in accordance with the Project Assessment Decision for Shetland HVDC Link issued on 30 November 2021 determines that a longer period is appropriate.

3.12.34 Any modifications under paragraph 3.13.29 will be made under section 11A of the Act.

Appendix 1

Appendix 1 LOTI baseline

CSNP Re-opener Outputs, delivery dates, minimum availability standards, and allowances (LOTIA) by Regulatory Year CSNPR_t (£m)

<u>CSNP</u>	<u>Deliver</u>	<u>2026/</u>	<u>2027/</u>	<u>2028/</u>	<u>Allowa</u>	<u>2030/31</u>
<u>Re-</u>	<u>y date</u>	<u>27</u>	<u>28</u>	<u>29</u>	<u>nce</u>	
<u>opener</u>					<u>(£m)</u>	
<u>Output</u>					<u>029/3</u>	
			21/22	22/23	23/24	24/25

0.00

0.00

0.00

0.00

0.00

0.00

Appendix 2

Appendix 3

LOTI Outputs, Minimum circuit availability standard after the delivery dates and allowances (£m) date (%)

Regulatory Year

LOTI CSNP Re-opener Output	Delivery date <u>0-6 months</u>	<u>2020/21</u> <u>6-12 months</u>	<u>2023/24</u> <u>12-24 months</u>
Construct, energise and make freely and fully available to the ISOP the Shetland HVDC Link	31-Dec-24	109.3	203.5

N/A

N/A

N/A

N/A

N/A

N/A

N/A

N/A

N/A

N/A

N/A

N/A

N/A

N/A

Appendix 4

Shetland HVDC Link Cost And Output Adjusting Event Table

Risk	Definition	Proposed Treatment
Covid	Additional project costs (up to £10.4m cumulatively) incurred that are directly attributable to the ongoing covid pandemic and not covered by any insurances or contractual arrangements.	Ringfenced no threshold assessment of incurred costs. Costs to be submitted for consideration at the end of project construction.
Physical damage to Flotta oil pipeline	Contractor damage to pipeline occurs during construction. Delays to programme schedule, environmental impact and damage to 3rd party asset.	10% COAE Cost And Output Adjusting Event threshold
Multi-terminal HVDC deployment	Additional project costs incurred that are directly	10% COAE Cost And Output Adjusting

	attributable to deploying the multi-terminal HVDC technology and not covered by any insurances or contractual arrangements.	Event threshold
Extreme weather	Additional costs directly attributable to extent of extreme weather above 1-in-10 year value.	10% COAE Cost And Output Adjusting Event threshold

Special Condition 3.13 Medium Sized Investment Projects Re-opener and Price Control Deliverable (MSIPRE_t)

Introduction

3.13.1 The purpose of this condition is to calculate the term MSIPRE_t (the Medium Sized Investment Projects Re-opener term). This contributes to the calculation of the Totex Allowance.

3.13.2 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 amendments to the Price Control Deliverable during the Price Control Period; and
- (c) provide for an assessment of the Price Control Deliverable.

3.13.3 This condition also explains the process the Authority will follow when making any changes under this condition.

Part A: Formula for calculating the Medium Sized Investment Projects Re-opener term (MSIPRE_t)

3.13.4 The value of MSIPRE_t is derived in accordance with the following formula:

$$MSIPRE_t = MSIPO_t - MSIPRO_t$$

where:

MSIPO_t means the sum of allowances in Appendix 1; and

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

Part B: What is the licensee funded to deliver?

3.13.5—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: Medium Sized Investment Projects Re-opener

3.13.6—The licensee may apply to the Authority for a modification to the outputs, delivery dates or associated allowances in Appendix 1 in relation to one or more of the following activities:

- (a) a Generation Connection project, including all infrastructure related to that project, the forecast costs of which are at least £12.63m more or less than the level that could be provided for under Special Condition 3.11 (Generation Connections volume driver);
- (b) a Demand Connection project, including all infrastructure related to that project;
- (c) a Boundary Reinforcement Project that has received a NOA Proceed Signal in the most recent NOA;
- (d) a Flooding Defence Project, the purpose of which is to follow:
 - i.—updates to the Energy Networks Association's report titled 'Engineering Technical Report (ETR138)' guidance on flooding; or
 - ii.—a request from government, or a body which has responsibility for flood prevention, to protect sites from flooding;
- (e) an Electricity System Restoration Project following the establishment of an Electricity System Restoration Standard;
- (f) a system operability or constraint management project that has been requested by the ISOP;
- (g) projects that are needed in order to meet NETS SQSS requirements regarding security, or system operability;
- (h) Harmonic Filtering projects that are needed following:
 - i.—requests from the licensee's customers to aggregate and deliver Harmonic Filtering requirements; or
 - ii.—system studies by the ISOP or the licensee showing a need for additional Harmonic Filtering on the National Electricity Transmission System;
- (i) protection projects that are needed following:
 - i.—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;
 - ii.—system studies by the ISOP or the licensee showing a need for dynamic line ratings; or

- iii. ~~system studies by the ISOP or the licensee showing a need for an operational intertrip;~~

~~Appendix 1 data transformation and improvement projects, to implement recommendations regarding specific outputs required to meet principles developed by industry data working groups; and~~

- ~~(j) SF6 asset interventions, where the licensee can demonstrate a well justified SF6 Intervention Plan.~~
- ~~(k) a project identified by the ISOP as required to be delivered by 2030; and~~
- ~~(l) a project required to enable delivery of an ASTI project.~~

~~3.13.7—The licensee may only apply to the Authority under paragraph 3.14.6 Between:~~

- ~~(a) 24 April 2021 and 30 April 2021;~~
- ~~(b) 25 January 2022 and 31 January 2022;~~
- ~~(c) 25 January 2023 and 31 January 2023;~~
- ~~(d) 25 January 2024 and 31 January 2024; and~~
- ~~(e) 25 January 2025 and 31 January 2025;~~
- ~~(f) or as otherwise directed by the Authority.~~

~~3.13.8—An application under paragraph 3.14.6 must be made in writing to the Authority and include:~~

- ~~(a) a statement setting out what Medium Sized Investment Project the application relates to;~~
- ~~(b) any amendments requested to the outputs, delivery dates or allowances in Appendix 1;~~
- ~~(c) such detailed supporting evidence as is reasonable in the circumstances to justify the technical need including cost benefit analysis, impact assessments, risk mitigation, and engineering justification statements; and~~
- ~~(d) an explanation of the basis of the calculation for any adjustments requested to allowances.~~

~~3.13.9—An application under paragraph 3.14.6 must:~~

- ~~(a) take account of any expenditure, which can be avoided as a result of the change;~~

- (b) relate to costs incurred or expected to be incurred that exceed the Materiality Threshold, but are less than £100m; and
- (c) be confined to costs incurred or expected to be incurred on or after 1 April 2021.

~~3.13.10 Any modifications under this Part will be made under section 11A of the Act.~~

~~Part D: Assessment of the Price Control Deliverable (MSIPRO_t)~~

~~3.13.11 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 MSIPRO_t where the licensee has not Fully Delivered an output in Appendix 1.~~

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

~~3.13.12 Before making a direction under this Part, the Authority will publish on the Authority's Website:~~

- (a) the text of the proposed direction;
- (b) Accelerated strategic transmission investment, the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

~~3.13.13 A direction under paragraph 3.14.12 will set out:~~

- (a) the delivery status of the output that has not been Fully Delivered;
- (b) the value of the MSIPRO_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 MSIPRO_t term.

~~Appendix 2~~

~~Medium Sized Investment Project Price Control Deliverable (£m)~~

[illegible]

Special Condition 3.14 Pre-Construction Funding Re-opener and Price Control Deliverable (PCF_t and PCFRE_t)

Introduction

3.14.1 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.

~~3.14.21.1.1~~ The effect of this condition is to:

- (a) specify the outputs, delivery dates and associated allowances for the Price Control Deliverable; and
- (b) establish a Re-opener for the licensee to trigger where it expects to incur costs for Pre-Construction Works in relation to a LOTI or an ASTI.

3.14.3 This condition also sets out the process the Authority will follow when directing any changes under paragraphs 3.15.6 and 3.15.9.

Part A: Formulae for calculating the Pre-Construction Funding Price Control Deliverable term (PCF_t) and the Pre-Construction Funding Re-opener term (PCFRE_t)

~~3.14.41.1.1~~ The value of PCF_t is derived in accordance with the following formula:

$$\cancel{PCF_t} = \cancel{PCFA_t} - \cancel{PCFRA_t}$$

~~where:~~

PCFA_t means the baseline allowances in Appendix 1; and

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

3.14.5 The value of PCFRE_t is derived in accordance with the following formula:

$$PCFRE_t = PCFO_t - PCFRO_t$$

where:

PCFO_t means the sum of allowances directed by the Authority as a result of the Re-opener established by Part C; and

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

Part B: What the licensee is funded to deliver?

~~3.14.6—Appendix 2 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.~~

Part C: Pre-Construction Funding Re-opener

~~3.14.7—In respect of any relevant LOTI or ASTI, the licensee may apply to the Authority for a direction amending the outputs, delivery dates or associated allowances in Appendix 2 where:~~

- ~~(a) the licensee expects to incur costs for Pre-Construction Works that are not already specified as outputs in Appendix 2; or~~
- ~~(b) 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.~~

~~3.14.8—In respect of any relevant LOTI, the licensee may only apply to the Authority under paragraph 3.15.7 when submitting an Initial Needs Case for the relevant LOTI, unless the Authority directs that the licensee may apply at another time.~~

~~3.14.9—An application under paragraph 3.15.7 must be made in writing and include:~~

- ~~(a) a breakdown of what Pre-Construction Works are expected to be undertaken;~~
- ~~(b) an overview of the LOTI or ASTI to which the Pre-Construction Works relate;~~
- ~~(c) a justification of why the Pre-Construction Works are required; and~~
- ~~(d) any amendments requested to the outputs, delivery dates or allowances set out in Appendix 2.~~

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

~~3.14.10—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) and the principles in paragraph 3.15.11, consider directing a value for PCFRA_t and PCFRO_t where the licensee has not Fully Delivered an output in Appendix 2.~~

~~3.14.11—The principles mentioned in paragraph 3.15.10 are:~~

- ~~(a) where authority considers that the licensee has completed a sufficient proportion of Pre-Construction Work, but not submitted its primary planning application for the LOTI or ASTI, a minimum of 20% of the allowance for the relevant Pre-Construction Works will be allowed;~~
- ~~(b) where the licensee has submitted its primary planning application for the LOTI, but has not secured Final Needs Case approval for the LOTI or obtained all material planning consents for the ASTI, a minimum of 60% of the allowance for the relevant Pre-Construction Works will be allowed; and~~

- (c) where the licensee has secured Final Needs Case approval for the LOTI for the LOTI or obtained all material planning consents for the ASTI, 100% of the Pre-Construction Works PCD allowance for that LOTI or the ASTI will be allowed.

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

~~3.14.12 Before making a direction under paragraphs 3.15.7 or 3.15.10 the Authority will publish on the Authority's Website:~~

~~(a) the text of the proposed direction;~~

~~(b)(a) the reasons for the proposed direction; and~~

~~(c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.~~

~~3.14.13 A direction under paragraph 3.15.7 will set out any amendments to Appendix 2.~~

~~3.14.14 A direction under paragraph 3.15.10 will set out:~~

~~(a) the delivery status of the output that has not been Fully Delivered;~~

~~(b)(a) 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 baseline allowances (PCFA_t) by Regulatory Year (£m)

			Allowance (£m)			Total Allowance (All years)
	21/22	22/23	23/24	24/25	25/26	
	18.76	18.54	18.33	18.11	17.90	91.65

Appendix 2

Pre-Construction Funding Price Control Deliverable

Outputs	Delivery date	Allowance (£m)					Total Allowanc e (All years)
		21/22	22/23	23/24	24/25	25/26	
Approval of all material planning consents for E4D3: Peterhead-Drax; Eastern	31 March 2026	4.160	4.112	4.064	4.017	3.971	20.324

subsea HVDC link							
Approval of all material planning consents for E4L5: Peterhead–South Humber; Eastern subsea HVDC link	31 March 2026	6.240	6.168	6.097	6.026	5.956	30.487
LOTI Final Needs Case approval of Skye	31 March 2026	3.409	3.370	3.331	3.292	3.254	16.655
LOTI Final Needs Case approval of Argyll and Kintyre 275kV Strategy	31 March 2026	4.372	4.321	4.271	4.222	4.173	21.360
Submission of a report to the Authority on work undertaken and costs incurred in relation to the NOA and regional development plans.	31 March 2026	0.578	0.571	0.564	0.558	0.551	2.823

Special Condition 3.15 Access Reform Change Re-opener (ARR_t)

Introduction

3.15.1 The purpose of this condition is to set the value of the term ARR_t (the Access Reform Change Re-opener term). This contributes to the calculation of the Totex Allowance.

3.15.2—The effect of this condition is to establish a Re-opener triggered by the Authority to make appropriate adjustments to reflect the impact of an Access Reform Change on:

- (a) the value of ARR_t ; and
- (b) the values of the terms in Special Condition 3.11 (Generation Connections volume driver).

3.15.3—This condition also explains the process the Authority will follow when making any changes as a result of the Re-opener.

Part A: The value of the Access Reform Change Re-opener term (ARR_t)

3.15.4—The value of ARR_t is set out in Appendix 1.

Part B: Access Reform Change Re-opener

3.15.5—This Re-opener may be used by the Authority at any time during the Price Control Period, where:

- (a) an Access Reform Change has occurred;
- (b) the Authority has evidence that it is likely the Access Reform Change will lead to a reduction in the cost of Licensed Activity; and
- (c) the effect, or estimated effect, of the Access Reform Change on the cost of Licensed Activity exceeds the Materiality Threshold.

3.15.6—The following modifications to this licence may be made under this Re-opener:

- (a) adjustments to the value of the ARR_t term; and
- (b) adjustments to the values of the terms in Special Condition 3.11.

3.15.7—The Authority will not make adjustments under this Re-opener in relation to connection projects that are the subject of an agreement with the ISOP entered into prior to the date of the Authority's modification.

3.15.8—Where the application of paragraph 3.16.7 makes it necessary, the Authority will use this Re-opener to modify the formulae in Special Condition 3.11 to provide for more than one unit cost in a single Regulatory Year.

3.15.9—Any modifications made under this Re-opener will be made under section 11A of the Act.

Appendix 1

Access Reform Change Re-opener term (ARR_t) (£m)

<u>Value by Regulatory Year (£m)</u>					<u>Total Value (All years)</u>
<u>21/22</u>	<u>22/23</u>	<u>23/24</u>	<u>24/25</u>	<u>25/26</u>	
<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>

Special Condition 3.16 Shared schemes Price Control Deliverable (SS_t)

Introduction

~~3.16.11.1.1~~ The purpose of this condition is to calculate the term SS_t (the shared schemes Price Control Deliverable term). ~~This contributes to the calculation of the Totex Allowance.~~

~~3.16.21.1.1~~ This condition specifies the outputs, delivery dates and associated allowances for the Price Control Deliverable.

3.16.3 This condition also explains the process the Authority will follow when assessing the Price Control Deliverable.

Part A: Formula for calculating the shared schemes Price Control Deliverable term (SS_t)

3.16.4 The value of SS_t is derived in accordance with the following formula:

$$SS_t = SSA_t - SSR_t$$

where:

SSA_t means the sum of allowances in Appendix 1; and

SSR_t has the value zero unless otherwise directed by the Authority in accordance with Part C.

~~Part B: Part A: What is the licensee funded to deliver?~~

~~3.16.51.1.1~~ 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 the Price Control Deliverable (SSR_t)

3.16.6 The Authority will, in accordance with the 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 SSR_t where the licensee has not Fully Delivered an output in Appendix 1.

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

3.16.7 Before making a direction under paragraph 3.17.6 the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- ~~(b)(a)~~ the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.16.8 The direction will set out:

- (a) the delivery status of the output that has not been Fully Delivered;
- (b) the value of the SSR_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 SSR_t term.

Appendix 1

Shared schemes Price Control Deliverable by Regulatory Year (£m)

Scheme Name	Output	Delivery Date	21/22	22/23	23/24	24/25	25/26	All years
Kinardoch y reactive compensation	Delivery of an output of +325/- 225 MVar reactive compensation.	31 August 2024	27.75	55.05	10.20	0.33	0.32	93.65
	Construction of a new substation and installation of a dynamic compensator with a range of +/- 225MVar, and a 100MVar capacitive static compensator							
North-east 400kV Upgrade	Delivery of an output of 1440MVA of shared use overhead line infrastructure.	31 October 2023	54.10	89.22	52.08	-8.19	0.65	187.86

Reconductoring and reinsulation of the double circuit overhead line between Peterhead, New Deer, Rothienorman and Blackhillock for 400kV operation.

To include reconfiguration of Peterhead, New Deer, Rothienorman, Kintore and Blackhillock substations to operate at 400kV.

Delivery of an output of 1075MW Generation Connection Capacity.	31 October 2022	17.55	0.74	0.06	0.06	0.06	18.48
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Tealing 275kV Busbar

Installation of an operational intertrip scheme for the period between 31st October 2021 and 1st October 2022.

	<p>Replacement of all existing 275kV, 2500 Amp rated busbars with 4000 Amp equivalents. Installation of three new fully selectable 275kV air insulated switchgear cable bays via a platform extension.</p>							
Moray West Offshore Windfarm Connection	<p>Delivery of an output of 800MW generation connection capacity.</p>	1 April 2024 (800MW)	0.75	2.23	3.10	0.02	0.02	6.12
	<p>Extension of the existing Blackhillock 400kV GIS double busbar and installation of two new 400kV GIS double busbar feeder bays complete with line circuit breakers, line disconnectors and associated</p>							

busbar
selector
disconnecto
rs.

Special Condition 3.17 Resilience and operability Price Control Deliverable (RO_t)

Introduction

~~3.17.11.1.1~~ The purpose of this condition is to calculate the term RO_t (the resilience and operability Price Control Deliverable term). ~~This contributes to the calculation of the Totex Allowance.~~

~~3.17.21.1.1~~ This condition specifies the outputs, delivery dates and associated allowances for the Price Control Deliverable.

~~3.17.31.1.1~~ This condition also explains the process the Authority will follow when assessing the Price Control Deliverable.

Part A: Formula for calculating the resilience and operability Proposals Price Control Deliverable term (RO_t)

3.17.4 The value of RO_t is derived in accordance with the following formula:

$$RO_t = ROA_t - ROR_t$$

where:

ROA_t means the sum of allowances in Appendix 1; and

ROR_t has the value zero unless otherwise directed by the Authority in accordance with Part C.

~~Part B: Part A: What is the licensee funded to deliver?~~

~~3.17.51.1.1~~ 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 Price Control Deliverable (ROR_t)

3.17.6 The Authority will, in accordance with the 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 ROR_t where the licensee has not Fully Delivered an output in Appendix 1.

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

3.17.7 Before making a direction under paragraph 3.18.6, 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 not be less than 28 days.

3.17.8 The direction will set out:

- (a) the delivery status of the output that has not been Fully Delivered;
- (b) the value of the ROR_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 ROR_t term.

Appendix 4

Resilience and operability Price Control Deliverable

Scheme Name	Output	Delivery Date	Allowance (£m)					
			21/22	22/23	23/24	24/25	25/26	All years
Resilience: physical security	Improved security measures on substations, specifically: Install CCTV and alarms at 35 substations and cable sealing end compounds where none exist. Upgrade 20 obsolete systems. Upgrade 23 substations with palisade and new safety signage.	31 March 2026	1.21	2.19	2.22	2.19	1.11	8.92
Resilience: Protection and Control	22 bay protection replacements and 41 bays	31 March 2026	2.80	6.27	6.20	6.71	3.58	25.56

	enhanced with post event and real time monitoring.							
	33 remote terminal units replacements.							
Response and recovery: substation resilience	Ensure 116 of the licensee's substation sites have a minimum of 72 hours autonomy in line with Energy Networks Association document titled 'Engineering Recommendation G91 guidance'. Where 72 hours autonomy is not currently achieved, upgrades to deliver 120 hours autonomy.	31 March 2026	6.20	11.78	11.65	11.51	5.46	46.61
Integrated condition performance monitoring	Installation of monitoring equipment at 350 equipment installations. Forensic analysis of 26 transformers. Deployment and integration of a data analytics platform.	31 March 2026	1.96	3.73	3.69	3.64	1.73	14.75

Operations centre	Construction of a new operations centre with a contingency control centre.	31 March 2026	3.13	3.10	3.06	3.03	2.99	15.31
Warehousing	Building a warehouse (7,500m2) in the Dundee area and a warehouse (7,500m2) in the Inverness area. This will include facilities for storage of oil filled plant.	31 March 2026	7.04	6.96	6.88	6.80	6.72	34.38
Communications	Installation of 338km of new fibre optic cable. Upgrade of 91 multiplexors across the licensee's Transmission Area. Upgrade of network hardware at 89 substations.	31 March 2026	2.93	5.57	5.51	5.45	2.58	22.05

~~Special Condition 3.18 Not used~~

~~Special Condition 3.19 Not used~~

~~Special Condition 3.20 Not used~~

~~Special Condition 3.21 Not used~~

~~Special Condition 3.22 Not used~~

~~Special Condition 3.23 Not used~~

~~Special Condition 3.24 Not used~~

~~Special Condition 3.25 Not used~~

~~Special Condition 3.26 Not used~~

~~Special Condition 3.27 Subsea Cable Re-opener (SCR_t)~~

~~Introduction~~

~~3.27.11.1.1 The purpose of this condition is to set the value of the term SCR_t (the Subsea Cable Re-opener term). This contributes to the calculation of the Totex Allowance.~~

~~3.27.21.1.1 The effect of this condition is to establish a Re-opener triggered by the licensee where there is a need for Subsea Cable Repair works on the licensee's Transmission System.~~

~~3.27.3 This condition also explains the process the Authority will follow when directing any changes as a result of the Re-opener.~~

~~Part A: The value of the Subsea Cable Re-opener term (SCR_t)~~

~~3.27.41.1.1 The value of SCR_t is set out in Appendix 1.~~

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

~~3.27.51.1.1 The licensee may apply to the Authority for a direction adjusting the value of the SCR_t term for any Regulatory Year during the Price Control Period as a result of:~~

- ~~(a) repairing Subsea Cable Faults on the licensee's Transmission System that the licensee did not set out in its Business Plan; or~~
- ~~(b) mitigating the risk of a Subsea Cable Fault occurring in the future, where the mitigation cost is less than or equal to the harm to consumers quantified by~~

the licensee of not undertaking the mitigating action at the time proposed by the licensee.

3.27.6 — An application under paragraph 3.28.4 may be made:

- (a) Between 25 January 2024 and 31 January 2024; or
- (b) during a period after the Price Control Period to be specified by the Authority by direction.

3.27.7 — An application under paragraph 3.28.4 must be made in writing and:

- (a) provide such detailed supporting evidence as is reasonable in the circumstances to justify the technical need including cost benefit analysis, impact assessments, risk mitigation, and engineering justification statements;
- (b) in cases where the licensee considers there is a material impact on stakeholders, provide evidence that stakeholder engagement has been carried out and contributed to the identification and design of the preferred option;
- (c) provide evidence of the process for procurement and selection that has been applied by the licensee;
- ~~(d)(a) set out the adjustments to the value of the SCR₁ term that the licensee is requesting and the Regulatory Years to which that adjustment relates; explain the basis of the calculation for the proposed adjustments to the value of the SCR₁ term; and~~
- (e) set out the specific works that the licensee proposes to deliver as a result of the adjustments to the value of the SCR₁ term.

3.27.8 — An application under paragraph 3.28.5 must:

- (a) be confined to costs incurred or expected to be incurred on or after 1 April 2021; and
- (b) relate to costs incurred or expected to be incurred which exceed the Materiality Threshold.

3.27.9 — A direction under paragraph 3.28.5:

- ~~(a) may amend Appendix 1; and~~
- ~~(b)(a) will set out the value of the SCR₁ term.~~

3.27.10 — The Authority may direct changes under paragraph 3.28.5 where:

- (a) the licensee has made an application under paragraph 3.28.5;
- (b) the requirements in paragraphs 3.28.6 to 3.28.8 have been met; and
- (c) having regard to the information submitted by the licensee, the Authority is satisfied that:

~~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~~**Special Condition 3.20 Opex Escalator (OE_t and Use It Or Lose It Adjustment (APCF_t))**

Introduction

~~3.35.11.1.1~~ The purpose of this condition is to calculate the term OE_t (the opex escalator term). This contributes to the calculation of the Totex Allowance.

~~3.35.2~~ The effect is to provide an additional allowance for operating expenditure where capital expenditure has been provided under particular uncertainty mechanisms.

~~Part A: Formula for calculating the opex escalator term (OE_t)~~

~~3.35.3~~ The value of OE_t is derived in accordance with following formula:

$$OE_t = NOCA_t + CAIA_t$$

—————where:

NOCA_t is the network operating costs uplift allowance derived in accordance with paragraph 3.36.4; and

CAIA_t is the closely associated indirect uplift allowance derived in accordance with paragraph 3.36.5.

~~3.35.4~~ The value of NOCA_t is derived in accordance with the following formula:

$$NOCA_t = \sum_i [('2025/26' - t + 1) \cdot 0.5\% \cdot UMTERMA_{t,F}]$$

—————where:

i refers to an individual project;

(~~'2025/26'~~
~~— t + 1)~~ means the number of Regulatory Years remaining in the Price Control Period, including Regulatory Year t ; and

$UMTERMA_{i,t}$ is the total direct capex allowance for project i , energising in Regulatory Year t , provided by the following terms:

- ~~GCE_t in Special Condition 3.11 (Generation Connections volume driver); and~~
- ~~LOTIRE_t in Special Condition 3.13 (Large onshore transmission investment Re-opener); and~~
- ~~MSIPRE_t in Special Condition 3.14 (Medium Sized Investment Projects Re-opener and Price Control Deliverable).~~

~~3.35.5~~ The value of $CAIA_t$ is derived in accordance with the following formula:

$$CAIA_t = 73.4\% \cdot BCAI \cdot \frac{UMTERMB_t}{BCAPEX}$$

— where:

$UMTERMB_t$ is derived in accordance with paragraph 3.36.6;

$BCAI$ means the baseline allowance for closely associated indirect opex and has the value £253.4m; and

$BCAPEX$ means the baseline allowance for capex and has the value £1719.8m.

~~3.35.61.1.1~~ The value of $UMTERMB_t$ is derived in accordance with the following formula:

$$UMTERMB_t = VIMRE_t + GCE_t + MSIPRE_t + SCR_t$$

— where:

$VIMRE_t$ is derived in accordance with Part A of Special Condition 3.10 (Visual Impact Mitigation Re-opener and Price Control Deliverable and Enhancing Pre-existing Infrastructure Projects allowance);

GCE_t is derived in accordance with Part A of Special Condition 3.11 (Generation Connections volume driver);

~~LOTIRE_t~~ has the meaning given in Part A of Special Condition 3.13 (Large onshore transmission investment Re-opener);

~~MSIPRE_t~~ is derived in accordance with Part A of Special Condition 3.14 (Medium Sized Investment Projects Re-opener and Price Control Deliverable); and

~~SCR_t~~ has the value zero unless directed otherwise in accordance with Special Condition 3.28 (Subsea Cable Re-opener).

~~Special Condition 3.36~~Special Condition 1.1 Entry and exit connection asset allowance (EECA_t)

Introduction

~~3.36.11.1.1~~ 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.

~~3.36.21.1.1~~ The effect of this condition is to adjust the Totex Allowance to fund the licensee for the net cost of Transmission Connection Assets delivered during the Price Control Period.

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

~~3.36.3~~ The value of EECA_t is derived in accordance with the following formula:

$$EECA_t = EECE_t + EECC_t$$

—where:

EECE_t means the actual expenditure on Transmission Connection Assets excluding expenditure on Transmission Connection Infrastructure; and

EECC_t means any capital contribution from Users relating to Transmission Connection Assets.

Special Condition 3.37 Not used

Special Condition 3.38 Legacy baseline connections volume driver (LGCE_t)

Introduction

~~3.38.11.1.1~~ The purpose of this condition is to provide for the calculation of the term LGCE_t (the legacy baseline connections volume driver term). This contributes to the calculation of the Totex Allowance.

~~3.38.2~~ The effect of this condition is to provide for adjustments to the Totex Allowance following the close-out of RHO-ET1 for capex schemes that straddle RHO-ET1 and RHO-ET2.

Part A: Formula for calculating the legacy baseline connections volume driver term (LGCE_t)

~~3.38.3~~ The value of LGCE_t is derived in accordance with the following formula:

$$LGCE_t = GCE_t \cdot \frac{PI_{2018/19}}{PI_{2009/10}}$$

—where:

GCE_t is directed by the Authority in accordance with Part E of Special Condition 6F of this licence as in force on 31 March 2021, relating to schemes that are funded by the GCE term in RHO-ET1 that require a continuation of funding in RHO-ET2; and

PI_t means the price index derived in accordance with Part F of Special Condition 2.1.

3.38.4—In its direction, the Authority will set out values consistent with RHO-2 Final Determinations for any terms required for the calculation of the GCE_t term that are not included in Special Condition 6F of this licence as in force on 31 March 2021.

Special Condition 3.39 Accelerated strategic transmission investment Pre-Construction Funding Re-opener, Price Control Deliverable and Use It Or Lose It Adjustment ($APCF_t$)

~~3.39.13.20.1~~ ~~Introduction~~ 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.

~~3.39.23.20.2~~ 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.

~~3.39.33.20.3~~ 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 $APCF_t$

~~3.39.43.20.4~~ 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

~~3.39.53.20.5~~ 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

~~3.39.63.20.6~~ 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.

~~3.39.73.20.7~~ 3.20.7 The licensee must notify the Authority in writing of its intention to make an application under ~~3.40~~20.6 at least 8 weeks before making an application, unless the Authority directs otherwise.

~~3.39.83.20.8~~ 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.

~~3.39.93.20.9~~ 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.

~~3.39.103.20.10~~ 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)

~~3.39.113.20.11~~ 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?

~~3.39.123.20.12~~ 3.20.12 Before making a direction under paragraph ~~3.40~~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 ~~not be less than~~ up to 28 days unless the Authority determines that a longer period is appropriate.

~~3.39.13~~3.20.13 A direction under paragraph 3.4020.11 will set out the value of the APCFRAt term and the Regulatory Years to which the adjustment relates, and where the direction is under paragraph 3.4020.11(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 APCFRAt term.

Appendix 1

ASTI Pre-Construction Funding Allowance table (£m)

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

Appendix 2

ASTI Pre-Construction Funding Allowance table (£m)

Project Name	Output	Delivery Date	PCF Allowance
Beauly to Blackhillock 400 kV double circuit addition (NOA Code: BBNC)	Submission of all material planning consent applications for BBNC	31 March 2026	Have the values given in the ASTI Confidential Annex.
Uprate the Beauly to Denny 275 kV circuit to 400 kV (NOA Code: BDUP)	Submission of all material planning consent applications for BDUP	31 March 2026	Have the values given in the ASTI Confidential Annex.
Beauly to Loch Buidhe 400 kV reinforcement (NOA Code: BLN4)	Submission of all material planning consent applications for BLN4	31 March 2026	Have the values given in the ASTI Confidential Annex.
New 400 kV double circuit between Blackhillock and Peterhead (NOA Code: BPNC)	Submission of all material planning consent applications for BPNC	31 March 2026	Have the values given in the ASTI Confidential Annex.
Spittal to Peterhead HVDC reinforcement (NOA Code: PSDC)	Submission of all material planning consent applications for PSDC	31 March 2026	Have the values given in the ASTI Confidential Annex.
Loch Buidhe to Spittal 400 kV reinforcement (NOA Code: SLU4)	Submission of all material planning consent applications for SLU4	31 March 2026	Have the values given in the ASTI Confidential Annex.

Project Name	Output	Delivery Date	PCF Allowance
			Confidential Annex.
East Coast Onshore 400 kV Phase 2 reinforcement (NOA Code: TKUP)	Submission of all material planning consent applications for TKUP	31 March 2026	Have the values given in the ASTI Confidential Annex.
Arnish to Beaulieu 1.8GW HVDC link (Western Isles)	Submission of all material planning consent applications for Western Isles	31 March 2026	Have the values given in the ASTI Confidential Annex.
<u>Eastern Scotland to England 3rd link: Peterhead to West Norfolk offshore HVDC (EGL3) (NOA Code: E4L5)</u>	<u>Submission of all material planning consent applications for EGL3</u>	<u>31 March 2028</u>	<u>Have the values given in the ASTI Confidential Annex.</u>

~~Special Condition 3.40~~Special Condition 3.21 Accelerated strategic transmission investment Re-opener and Price Control Deliverable term (ASTIR_t)

Introduction

~~3.40.13.21.1~~ 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.

~~3.40.23.21.2~~ 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.

~~3.40.33.21.3~~ 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-opener~~re-openers.

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

~~3.40.43.21.4~~ 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

~~3.40.53.21.5~~ The licensee must deliver the ASTI Outputs no later than 12 months after the delivery dates specified in Appendix 1.

~~3.40.63.21.6~~ 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

~~3.40.73.21.7~~ The licensee may, in respect of any ASTI Output, apply for an Early Construction Funding decision to adjust *ASTIA_t*.

~~3.40.83.21.8~~ Unless the Authority directs otherwise, the aggregate allowances provided under paragraph 3.41.21.7 for any ASTI Output may not exceed 20% of the total forecast project cost listed in the ASTI Confidential Annex.

~~3.40.93.21.9~~ The licensee must notify the Authority in writing of its intention to make an application under 3.41.21.7 at least ~~eight~~ weeks before making an application, unless the Authority directs otherwise.

~~3.40.103.21.10~~ A modification under this Part will be made under section 11A of the Act.

Part D: ASTI Project Assessment Decision

~~3.40.113.21.11~~ 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.

~~3.40.123.21.12~~ Unless the Authority otherwise directs, the licensee may only apply for an ASTI Project Assessment Decision after submission of all material planning consent applications.

~~3.40.131.1.1~~ A modification under this Part will be made under section 11A of the Act.

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

~~3.40.143.21.14~~ 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.

~~3.40.15~~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 3.4121.17, calculated before the application of the Totex Incentive Strength Strength 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.

~~3.40.16~~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.

~~3.40.17~~3.21.17 The percentage referred to in paragraph 3.4121.15(a) is:

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

~~3.40.18~~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 3.4121.15, or where applicable 3.4121.16, 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.

~~3.40.19~~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 3.4121.14 to 3.4121.18, 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.

~~3.40.20~~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 4.97 (Accelerated strategic transmission investment output delivery incentive)

~~3.40.21~~3.21.21 The Authority will modify the delivery dates in Appendix 1 where it decides under Part B of Special Condition 4.97 (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 4.967.

~~3.40.22~~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)

~~3.40.23~~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?

~~3.40.24~~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 ~~not be less than 28 days~~ be up to 28 days **unless the Authority determines that a longer period is appropriate.**

~~3.40.25~~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

~~3.40.26~~3.21.26 The licensee must comply with the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document.

~~3.40.27~~3.21.27 The Authority will issue and amend the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document by direction.

~~3.40.28~~3.21.28 The Authority will publish the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document on the Authority's Website.

~~3.40.29~~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.

~~3.40.30~~3.21.30 The Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document will also make provision about the detailed requirements under Special Condition ~~3.40.20~~ (ASTI Pre-Construction Funding Re-opener, Price Control Deliverable and Use It Or Lose It Adjustment) and Special Condition ~~4.97~~ (ASTI output delivery incentive).

~~3.40.31~~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) 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 not be less than 28 days;~~

~~3.40.32~~1.1.1 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; and~~
- ~~(c) the reasons for the amendments to the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document; and~~
- ~~(d)(c) a period during which representations may be made on the amendments to text of the proposed Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document, which will not be less than 28 days~~ 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 (ASTIat, ECF/PA £m)
Beaulieu to Blackhillock 400 kV double circuit addition (NOA Code: BBNC)	31 December 2031	Have the values given in the ASTI Confidential Annex. ECF
Uprate the Beaulieu to Denny 275 kV circuit to 400 kV (NOA Code: BDUP)	31 December 2031	Have the values given in the ASTI Confidential Annex. ECF
Beaulieu to Loch Buidhe 400 kV reinforcement (NOA Code: BLN4)	31 December 2031	Have the values given in the ASTI Confidential Annex. ECF
New 400 kV double circuit between Blackhillock and Peterhead (NOA Code: BPNC)	31 December 2031	Have the values given in the ASTI Confidential Annex. ECF
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. PA <u>£4,295,638,278</u>
Eastern Scotland to England 3rd link: Peterhead to the south HumberWest Norfolk offshore HVDC (EGL3)(NOA Code: E4L5)	31 December 2031 <u>August 2034</u>	Have the values given in the ASTI Confidential Annex. ECF
Spittal to Peterhead HVDC reinforcement (NOA Code: PSDC)	31 December 2031	Have the values given in the ASTI Confidential Annex. ECF
Loch Buidhe to Spittal 400 kV reinforcement (NOA Code: SLU4)	31 December 2031	Have the values given in the ASTI Confidential Annex. ECF
East Coast Onshore 400 kV Phase 2 reinforcement (NOA Code: TKUP)	31 December 2031	Have the values given in the ASTI Confidential Annex. ECF

Arnish to Beaulay1.8GW HVDC link
(Western Isles)

31 December
2031

Have the values given ECF
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 (%)	Minimum circuit availability standard after delivery (%)
	0-6 months	6-12 months	12-24 months

Beaulay to Blackhillock 400 kV double
circuit addition (NOA Code: BBNC)

Uprate the Beaulay to Denny 275 kV
circuit to 400 kV (NOA Code: BDUP)

Beaulay to Loch Buidhe 400 kV
reinforcement (NOA Code: BLN4)

New 400 kV double circuit between
Blackhillock and Peterhead (NOA Code:
BPNC)

Eastern Scotland to England link:
Peterhead to Drax offshore HVDC (NOA
Code: E4D3)

Eastern Scotland to England 3rd link:
Peterhead to ~~the south Humber~~West
Norfolk offshore HVDC (EGL3)(NOA
Code: E4L5)

Spittal to Peterhead HVDC reinforcement
(NOA Code: PSDC)

Loch Buidhe to Spittal 400 kV
reinforcement (NOA Code: SLU4)

East Coast Onshore 400 kV Phase 2
reinforcement (NOA Code: TKUP)

Arnish to Beaulay1.8GW HVDC link
(Western Isles)

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 to fund the licensee for the net cost of Transmission Connection Assets delivered 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 derived in accordance with the following formula:

$$EECA_t = EECE_t + EECC_t$$

where:

EECA_t the entry and exit connection asset allowance term

EECE_t means the actual expenditure on Transmission Connection Assets excluding expenditure on Transmission Connection Infrastructure; and

EECC_t means 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 T2ACAt (the Aggregate ET2/ET3 Crossover adjustment term). This term contributes to the calculation of the Totex Allowance;

(b) specify the values for the each individual ET2/ET3 Crossover adjustment terms that contributes to T2ACAt;

(c) specify the outputs, delivery dates and associated allowances related to each individual ET2/ET3 Crossover adjustment term that contributes to T2ACAt;

(d) provide for an assessment of the Price Control Deliverables;

(e) define the scope and coverage of amendments/modifications to ET2/ET3 Crossover adjustment terms that contribute to T2ACAt; and

(f) establish the ET2/ET3 Crossover Submission Requirements and Guidance Document.

Part A: Formula for calculating the Aggregate ET2/ET3 Crossover adjustment term (T2ACAt)

3.23.4 The value of the T2ACAt term is calculated in accordance with the following formula:

$$\begin{aligned} T2ACAt = & T2NARMt + T2CROt + T2CROtREt + T2CRITt + T2CRITREt + T2PSUPt + \\ & T2PSUPREt + T2RDFt + T2NZt + T2NOITREt + T2CAMt + T2WWt + T2VIMREt + \\ & T2EPIt + T2GCet + T2LOTIat + T2LOTIREt + T2MSIPREt + T2PCFt + T2PCFREt + \\ & T2ARRt + T2SSt + T2ROt + T2SCRt + T2UNLRt + T2WWVt + T2LGCEt + T2CCt + \\ & T2DFt + T2DTPCFt - T2Rt \end{aligned}$$

Where:

<u>T2NARMt</u>	<u>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;</u>
<u>T2CROt and T2CROtREt</u>	<u>mean the ET2/ET3 Crossover adjustments relating to the Cyber resilience OT baseline term (CROt) 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;</u>
<u>T2CRITt and T2CRITREt</u>	<u>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;</u>
<u>T2PSUPt and T2PSUPREt</u>	<u>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</u>

	<u>in Special Condition 3.4 of this licence as in force on 31 March 2026;</u>
<u>T2RDFt</u>	<u>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;</u>
<u>T2NZt</u>	<u>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;</u>
<u>T2NOITREt</u>	<u>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;</u>
<u>T2CAMt</u>	<u>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;</u>
<u>T2WWt</u>	<u>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;</u>
<u>T2VIMREt and T2EPIt</u>	<u>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;</u>
<u>T2GCEt</u>	<u>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;</u>
<u>T2LOTIAt and T2LOTIREt</u>	<u>mean the ET2/ET3 Crossover adjustments relating to the large onshore transmission investment allowance term (LOTIAt) 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;</u>
<u>T2MSIPREt means</u>	<u>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;</u>
<u>T2PCFt and T2PCFREt</u>	<u>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;</u>
<u>T2ARRt means</u>	<u>the ET2/ET3 Crossover adjustment relating to the Access Reform Change Re-opener term (ARRt) as specified in Special Condition 3.16 of this licence as in force on 31 March 2026;</u>
<u>T2SSt means</u>	<u>the ET2/ET3 Crossover adjustment relating to the shared schemes Price Control Deliverable term (SSt) as specified in Special Condition 3.17 of this licence as in force on 31 March 2026;</u>

<u>T2ROt means</u>	<u>the ET2/ET3 Crossover adjustment relating to the resilience and operability Price Control Deliverable term (ROt) as specified in Special Condition 3.18 of this licence as in force on 31 March 2026;</u>
<u>T2SCRt means</u>	<u>the ET2/ET3 Crossover adjustment relating to the Subsea Cable Re-opener term (SCRt) as specified in Special Condition 3.28 of this licence as in force on 31 March 2026;</u>
<u>T2EECAt means</u>	<u>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;</u>
<u>T2LGCEt means</u>	<u>the ET2/ET3 Crossover adjustment relating to the legacy baseline connections volume driver term (LGCEt) as specified in Special Condition 3.39 of this licence as in force on 31 March 2026;</u>
<u>T2DFt means</u>	<u>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;</u>
<u>T2DTPCFt means</u>	<u>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</u>
<u>T2Rt</u>	<u>has the value zero unless otherwise directed by the Authority in accordance with Part G.</u>

Part B: Values of individual ET2/ET3 Crossover adjustments and amendments to those values

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 Adjustments to Revenue (LART) Legacy AIP Adjustment term (LADJt) term derived, or expected to be derived, in accordance with Special Legacy adjustments to revenue (LART) 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 part of the efficient cost of the ET2/ET3 Crossover Item; or
- (b) The derivation of the Legacy Adjustments to Revenue (LART) Legacy AIP Adjustment term (LADJt) in accordance with Special Legacy adjustments to revenue (LART) 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 may 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.

	<u>2026/27</u>	<u>2027/28</u>	<u>2028/29</u>	<u>2029/30</u>	<u>2030/31</u>	<u>RIIO-3 Total</u>
<u>T2NARMt</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>
<u>T2CROt</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>
<u>T2CROtREt</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>
<u>T2CRITt</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>
<u>T2CRITREt</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>
<u>T2PSUPt</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>
<u>T2PSUPREt</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>
<u>T2RDFt</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>
<u>T2NZt</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>
<u>T2NOITREt</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>
<u>T2CAMt</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>
<u>T2WWt</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>
<u>T2VIMREt</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>
<u>T2EPIt</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>
<u>T2GCEt</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>
<u>T2DRIt</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>
<u>T2LOTIAt</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>
<u>T2LOTIREt</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>
<u>T2MSIPREt</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>
<u>T2PCFt</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>
<u>T2PCFREt</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>
<u>T2ARRt</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>
<u>T2SSt</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>
<u>T2ROt</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>
<u>T2SCRt</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>
<u>T2EECAt</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>
<u>T2LGCEt</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>
<u>T2DFt</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>
<u>T2DTPCFt</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>	<u>Zero</u>

Appendix 2: Outputs

<u>Output</u>	<u>Delivery date</u>	<u>ET2/ET3 Crossover adjustment</u>	<u>RIO-3 allowance provided</u>

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 adjustment items as defined in Part C of Special Condition 3.23 (ET2/ET3 Crossover adjustments) condition that relate to allowance terms included in the scope of the RIO-ET2 SpC 3.36 (Opex escalator) in the RIO-ET2 licence as it stood on 31 March 2026 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:

$$LOE_t = 73.4\% \times BCI \times \frac{UMTERMB_t}{BCAPEX}$$

where:

UMTERMB_t is derived in accordance with paragraph 3.24.3;

BCI means the RIO-ET2 baseline allowance for closely associated indirect opex and has the value £253.4m; and

BCAPEX means the RIO-ET2 baseline allowance for capex and has the value £1719.8m.

3.24.3 The value of UMTERMB_t is derived in accordance with the following formula:

$$UMTERMB_t = T2VIMRE_t + T2GCE_t + T2MSIPRE_t + T2SCR_t$$

where:

T2VIMRE_t is a crossover term for Visual Impact Mitigation Re-opener and Price Control Deliverable and Enhancing Pre-existing Infrastructure Projects allowance and is derived in accordance with has the meaning given in and has the value derived in accordance with Part A of Special Condition 3.23 (ET2/ET3 Crossover adjustments licence condition)

T2GCE_t is a crossover term for Generation Connections volume driver and is derived in accordance with has the meaning given in and has the value derived in accordance with Part A of Special Condition 3.23 (ET2/ET3 Crossover adjustments licence condition)

$T2MSIPRE_t$ is a crossover term for Medium Sized Investment Projects Re-opener and Price Control Deliverable and is derived in accordance with has the meaning given in and has the value derived in accordance with Part A of Special Condition 3.23 (ET2/ET3 Crossover adjustments licence condition)

$T2SCR_t$ is a crossover term for Subsea Cable Re-opener and is derived in accordance with has the meaning given in and has the value derived in accordance with Part A of Special Condition 3.23 (ET2/ET3 Crossover adjustments licence condition)

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)

	<u>26/27</u>	<u>27/28</u>	<u>28/29</u>	<u>29/30</u>	<u>30/31</u>	<u>Total Allowance (All years)</u>
<u>SHET</u>	<u>0.00</u>	<u>0.07</u>	<u>0.12</u>	<u>4.28</u>	<u>7.42</u>	<u>11.89</u>

Appendix 2

SF6 asset intervention Price Control Deliverable Outputs (£m)

<u>Site</u>	<u>Output</u>	<u>Delivery Date</u>	<u>Total Allowance (all years)</u>
<u>Dounreay</u>	<u>275kV protective coating and asset refurbishment</u>	<u>2031</u>	<u>SHET Redacted Information Document</u>
<u>Melgarve</u>	<u>132kV protective coating</u>	<u>2031</u>	<u>SHET Redacted Information Document</u>
<u>Melgarve</u>	<u>400kV protective coating</u>	<u>2031</u>	<u>SHET Redacted Information Document</u>
<u>Spitall</u>	<u>132kV protective coating, refurbishment and partial asset replacement</u>	<u>2031</u>	<u>SHET Redacted Information Document</u>

<u>Site</u>	<u>Output</u>	<u>Delivery Date</u>	<u>Total Allowance (all years)</u>
<u>Tomatin</u>	<u>132kV protective coating</u>	<u>2031</u>	<u>SHET Redacted Information Document</u>
<u>Blackhillock</u>	<u>400kV protective coating</u>	<u>2031</u>	<u>SHET Redacted Information Document</u>

Special Condition 3.26 Subsea Cable Re-opener (SCR_t)

Introduction

3.26.1 The purpose of this condition is to set the value of the term SCR_t (the Subsea Cable Re-opener term). This contributes to the calculation of the Totex Allowance.

3.26.2 The effect of this condition is to establish a Re-opener triggered by the licensee where there is a need for Subsea Cable Repair works on the licensee's Transmission System.

3.26.3 This condition also explains the process the Authority will follow when directing any changes as a result of this Re-opener.

Part A: The value of the Subsea Cable Re-opener term (SCR_t)

3.26.4 The value of SCR_t is set out in Appendix 1.

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

3.26.5 The licensee may apply to the Authority for a direction adjusting the value of the SCR_t term for any Regulatory Year during the Price Control Period as a result of:

- (a) the need to repair Subsea Cable Faults on the licensee's Transmission System that the licensee did not set out in its Business Plan; or
- (b) the need to mitigate the risk of a Subsea Cable Fault occurring in the future, where the mitigation cost is less than or equal to the harm to consumers quantified by the licensee of not undertaking the mitigating action at the time proposed by the licensee.

3.26.6 An application under paragraph 3.26.5 may be made:

- (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.

3.26.7 An application under paragraph 3.26.5 must be made in writing and:

- (a) provide such detailed supporting evidence as is reasonable in the circumstances to justify the technical need including cost benefit analysis, impact assessments, risk mitigation, and engineering justification statements;

- (b) in cases where the licensee considers there is a material impact on stakeholders, provide evidence that stakeholder engagement has been carried out and contributed to the identification and design of the preferred option;
- (c) provide evidence of the process for procurement and selection that has been applied by the licensee;
- (d) set out the adjustments to the value of the SCR_t term that the licensee is requesting and the Regulatory Years to which that adjustment relates;
- (e) explain the basis of the calculation for the proposed adjustments to the value of the SCR_t term; and
- (f) 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 SCR_t term.

3.26.8 An application under paragraph 3.26.5 must:

- (a) be confined to costs 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.

3.26.9 A direction under paragraph 3.26.5:

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

3.26.10 The Authority may direct changes under paragraph 3.26.5 where:

- (a) the licensee has made an application under paragraph 3.26.5;
- (b) the requirements in paragraphs 3.26.6 to 3.26.8 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 3.26.5 has been established; and
 - (e) the adjustments for allowances reflects the efficient costs to the licensee of undertaking the work specified in paragraph 3.26.5.

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

3.26.11 Before making a direction under paragraph 3.26.5 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 unless the Authority determines that a longer period is appropriate.

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

Appendix 1

Subsea Cable Re-opener term, value per Regulatory Year (SCR_t) (£m)

	<u>2026/27</u>	<u>2027/28</u>	<u>2028/29</u>	<u>2029/30</u>	<u>2030/31</u>	<u>Total</u>
SCR _t	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>

Special Condition 3.27 Property Re-opener (PR_t)

Introduction

3.27.1 The purpose of this condition is to specify the value of the PR_t (the Pproperty Re-opener term). This contributes to the calculation of the Totex allowance.

3.27.2 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 PR_t term.

3.27.3 This condition sets out the process the Authority will follow when making any changes to Appendix 1 as a result of the Pproperty Re-opener.

Part A: The value of the Property Re-opener term (PR_t)

3.27.4 The value of PR_t is set out in Appendix 1.

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

3.27.5 The licensee may apply to the Authority for a direction adjusting the value of the PR_t term for any Regulatory Year during the Price Control Period as a result of the following projects with the scope detailed in Appendix 2:

- (a) Transmission Operations Campus;
- (b) Transmission Training Centre; and
- (c) Transmission Operations Depots.

3.27.6 An application under paragraph 3.27.5 may be made:

- (a) between 1 April 2027 and 30 April 2027;
- (b) between 1 September 2028 and 30 September 2028; and
- (c) during such other periods as the Authority may direct.

3.27.7 An application under paragraph 3.27.5 must be made in writing and:

- (a) provide such detailed supporting evidence as is reasonable in the circumstances to justify the technical need, 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 PR_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 PR_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 PR_t term.

3.27.8 An application under paragraph 3.27.5 must:

(a) be confined to costs 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.

3.27.9 A direction under paragraph 3.27.5:

(a) may amend Appendix 1; and

(b) will, where the PR_t term is amended, set the value of the amended PR_t term.

3.27.10 The Authority may direct changes under paragraph 3.27.5 where:

(a) the licensee has made an application under paragraph 3.27.5;

(b) the requirements in paragraphs 3.27.6 to 3.27.8 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 3.27.5 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 in paragraph 3.27.5.

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

3.27.11 Before making a direction under paragraph 3.27.5 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.

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

Appendix 1

Property Re-opener term (PR_t), value by Regulatory Year (£m)

	<u>2026/27</u>	<u>2027/28</u>	<u>2028/29</u>	<u>2029/30</u>	<u>2030/31</u>	<u>Total</u>
<u>PR_t</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>

Appendix 2

Project Descriptions

Transmission Operations Campus – A new operational campus to deliver net zero, which will meet all regulatory and security requirements, include resilience by design in the construction, collocate all the real time control and technical support teams required to deliver net zero. The site should be able to operate autonomously for 5 days and have provision for approximately 300 desks across control room, operational support, training simulation and critical national infrastructure computing systems. A facility with flexibility for expansion both within the building and campus to allow for future needs to be met 2035+. Funding is exclusive of costs associated with project development up to Large Capital Project (LCP) gate 3;

Transmission Training Centre - A new training facility to replace Blackhillock site that SHET expects to close due to the Blackhillock/Cairnford/Kintore 400kV network upgrade. The centre will have 5 classrooms and 2 practical training areas to facilitate training across authorisations, technical assets, health & safety and technical category areas. Funding is exclusive of gate 0-3 activities; and

Transmission Operations Depots - The delivery of six new depot facilities, within the North of Scotland including the islands, to enable vital infrastructure delivery and significantly improve SHET's operational efficiency and therefore network resilience. The depots will facilitate 280 field team staff by the early stages of RII0-3. Funding is exclusive of gate 0-3 development activities.

Special Condition 3.28 Protection Replacement Price Control Deliverable (PRN_t)

Introduction

3.28.1 The purpose of this condition is to calculate the term PRN_t (the Protection Replacement Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.

3.28.2 This condition specifies the outputs, delivery dates and associated allowances for the Price Control Deliverable.

3.28.3 This condition explains the process the Authority will follow when assessing the Price Control Deliverable.

Part A: Formula for calculating the Protection Replacement Price Control Deliverable (PRN_t)

3.28.4 The value of PRN_t is derived in accordance with the following formula:

$$PRN_t = PRA_t - PRR_t$$

where:

PRA_t means the allowance set out in Appendix 1; and

PRR_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?

3.28.5 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 (PRR_t)

3.28.6 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 PRR_t where the licensee has not Fully Delivered an output in Appendix 1.

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

3.28.7 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.

3.28.8 The direction will set out:

- (a) the delivery status of the output that has not been Fully Delivered;
- (b) the value of the PRR_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 PRR_t term.

Appendix 1

Protection Replacement Investment Price Control Deliverable Allowance (£m)

	<u>2026/27</u>	<u>2027/28</u>	<u>2028/29</u>	<u>2029/30</u>	<u>2030/31</u>	<u>Total</u>
<u>Allowance</u>	<u>4.27</u>	<u>5.42</u>	<u>8.01</u>	<u>5.95</u>	<u>2.34</u>	<u>25.98</u>

Special Condition 3.29 OX36 Circuit Breaker Replacement Price Control Deliverable (OXCBt)

Introduction

3.29.1 The purpose of this condition is to calculate the term OXCBt (the OX36 Circuit Breaker Replacement Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.

3.29.2 This condition specifies the outputs, delivery dates and associated allowances for the Price Control Deliverable.

3.29.3 This condition explains the process the Authority will follow when assessing the Price Control Deliverable.

Part A: Formula for calculating the OX36 Circuit Breaker Replacement Investment Price Control Deliverable term (OXCB_t)

3.29.4 The value of OXCB_t is derived in accordance with the following formula:

$$\underline{OXCB_t = OXCBA_t - OXCBR_t}$$

where:

OXCB_t means the allowance set out in Appendix 1; and

OXCBR_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?

3.29.5 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 (OXCBR_t)

3.29.6 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 OXCBR_t where the licensee has not Fully Delivered an output in Appendix 1.

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

3.29.7 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.

3.29.8 The direction will set out:

(a) the delivery status of the output that has not been Fully Delivered;

(b) the value of the OXCBR_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 OXCBR_t term.

Appendix 1

OX36 Circuit Breaker Replacement Investment Price Control Deliverable Allowance (£m)

	<u>2026/27</u>	<u>2027/28</u>	<u>2028/29</u>	<u>2029/30</u>	<u>2030/31</u>	<u>Total</u>
<u>Allowance</u>	<u>0.69</u>	<u>0.69</u>	<u>1.65</u>	<u>1.18</u>	<u>0.25</u>	<u>4.47</u>
<u>Delivery date</u>	<u>31 March 2031</u>					
<u>Outputs</u>	<ul style="list-style-type: none">○ <u>Replace 5x 33kV OX36 SF6 circuit breakers and associated ancillary equipment</u>○ <u>Locations: See SHET Redacted Information Document</u>					

Special Condition 3.30 132kV Circuit Breakers Replacement at REDACTED substation Price Control Deliverable (SCBt)

Introduction

- 3.30.1 The purpose of this condition is to calculate the term SCBt (the 132kV Circuit Breakers Replacement at REDACTED substation Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.
- 3.30.2 This condition specifies the outputs, delivery dates and associated allowances for the Price Control Deliverable.
- 3.30.3 This condition explains the process the Authority will follow when assessing the Price Control Deliverable.

Part A: Formula for calculating the 132kV Circuit Breakers Replacement at REDACTED substation Investment Price Control Deliverable term (SCBt)

- 3.30.4 The value of SCB_t is derived in accordance with the following formula:

$$\underline{SCB_t = SCBA_t - SCBR_t}$$

where:

- SCBA_t means the allowance set out in Appendix 1; and
- SCBR_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?

- 3.30.5 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 (SCBR_t)

3.30.6 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 SCBR_t where the licensee has not Fully Delivered an output in Appendix 1.

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

3.30.7 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.

3.30.8 The direction will set out:

- (a) the delivery status of the output that has not been Fully Delivered;
- (b) the value of the SCBR_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 SCBR_t term.

Appendix 1

132kV Circuit Breakers Replacement at REDACTED substation Investment Price Control Deliverable Allowance (£m)

	<u>2026/27</u>	<u>2027/28</u>	<u>2028/29</u>	<u>2029/30</u>	<u>2030/31</u>	<u>Total</u>
<u>Allowance</u>	<u>3.22</u>	<u>1.97</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>5.19</u>
<u>Delivery date</u>	<u>31 March 2031</u>					
<u>Outputs</u>	<u>Replace 2x REDACTED circuit breakers and associated ancillary equipment at the REDACTED substation</u>					

Special Condition 3.31 132kV Circuit Breakers Replacement at Errochty substation Price Control Deliverable (ECB_t)

Introduction

3.31.1 The purpose of this condition is to calculate the term ECB_t (the 132kV Circuit Breakers Replacement at Errochty substation Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.

3.31.2 This condition specifies the outputs, delivery dates and associated allowances for the Price Control Deliverable.

3.31.3 This condition explains the process the Authority will follow when assessing the Price Control Deliverable.

Part A: Formula for calculating the 132kV Circuit Breakers Replacement at Errochty substation Investment Price Control Deliverable term (ECB_t)

3.31.4 The value of ECB_t is derived in accordance with the following formula:

$$ECB_t = ECBA_t - ECBR_t$$

where:

ECBA_t means the allowance set out in Appendix 1; and

ECBR_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?

3.31.5 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 (ECBR_t)

3.31.6 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 ECBR_t where the licensee has not Fully Delivered an output in Appendix 1.

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

3.31.7 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.

3.31.8 The direction will set out:

- (a) the delivery status of the output that has not been Fully Delivered;
- (b) the value of the ECBR_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 ECBR_t term.

Appendix 1

132kV Circuit Breakers Replacement at Errochty substation Investment Price Control Deliverable Allowance (£m)

	<u>2026/27</u>	<u>2027/28</u>	<u>2028/29</u>	<u>2029/30</u>	<u>2030/31</u>	<u>Total</u>
<u>Allowance</u>	<u>0.60</u>	<u>3.41</u>	<u>0.20</u>	<u>0.00</u>	<u>0.00</u>	<u>4.22</u>
<u>Delivery date</u>	<u>31 March 2031</u>					
<u>Outputs</u>	<u>Replace 1x REDACTED circuit breaker (CB 705) and associated ancillary equipment at the Errochty substation</u>					

Special Condition 3.32 REDACTED Power Station Price Control Deliverable (FPSt)

Introduction

- 3.32.1 The purpose of this condition is to calculate the term FPS_t (the REDACTED Power Station Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.
- 3.32.2 This condition specifies the outputs, delivery dates and associated allowances for the Price Control Deliverable.
- 3.32.3 This condition also explains the process the Authority will follow when assessing the Price Control Deliverable.

Part A: Formula for calculating the REDACTED Power Station Investment Price Control Deliverable term (FPS_t)

- 3.32.4 The value of FPS_t is derived in accordance with the following formula:

$$FPS_t = FPSA_c + FPSA_t - FPSR_t$$

where:

FPSA_c means the allowance set out in Appendix 1 for Transmission Connection Assets;

FPSA_t means the allowance set out in Appendix 1 for licensees; and

FPSR_t has the value zero, unless otherwise directed by the Authority in accordance with Part C.

3.32.5 The licensee, in accordance with Special Condition 3.22 (entry and exit connection asset allowance) must account for capital contribution from Users relating to Transmission Connection Assets.

Part B: What is the licensee funded to deliver?

3.32.6 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 (FPSR_t)

3.32.7 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 FPSR_t where the licensee has not Fully Delivered an output in Appendix 1.

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

3.32.8 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.

3.32.9 The direction will set out:

- (a) the delivery status of the output that has not been Fully Delivered;
- (b) the value of the FPSR_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 FPSR_t term.

Appendix 1

REDACTED Power Station Investment Price Control Deliverable Allowance (£m)

	<u>26/27</u>	<u>27/28</u>	<u>28/29</u>	<u>29/30</u>	<u>30/31</u>	<u>All years</u>
<u>Transmission Connection Asset Allowance</u>						
<u>Licensee Allowance</u>	<u>17.78</u>	<u>25.51</u>	<u>23.78</u>	<u>0.00</u>	<u>0.00</u>	<u>67.06</u>

	<u>26/27</u>	<u>27/28</u>	<u>28/29</u>	<u>29/30</u>	<u>30/31</u>	<u>All years</u>
<u>Delivery date</u>	<u>31 March 2031</u>					
<u>Outputs</u>	<ul style="list-style-type: none"> ○ <u>Replace the existing 2x165MVA 275/18kV transformers and associated ancillary equipment</u> ○ <u>Replace last 275kV oil-filled underground cable (GO-Bundle-1981) between substations</u> ○ <u>Replace feeder bay at Foyers Switching Station</u> ○ <u>Install all required auxiliary assets, civil structures, and equipment</u> 					

Special Condition 3.33 REDACTED Power Station Price Control Deliverable (SPS_t)

Introduction

3.33.1 The purpose of this condition is to calculate the term SPSt (the REDACTED Power Station Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.

3.33.2 This condition specifies the outputs, delivery dates and associated allowances for the Price Control Deliverable.

3.33.3 This condition explains the process the Authority will follow when assessing the Price Control Deliverable.

Part A: Formula for calculating the REDACTED Power Station Investment Price Control Deliverable term (SPS_t)

3.33.4 The value of SPS_t is derived in accordance with the following formula:

$$\underline{SPS_t = SPSC_t + SPST_t - SPST_t}$$

where:

SPSC_t means the allowance set out in Appendix 1 for Transmission Connection Assets;

SPST_t means the allowance set out in Appendix 1 for licensees; and

SPST_t has the value zero, unless otherwise directed by the Authority in accordance with Part C.

3.33.5 The licensee, in accordance with Special Condition 3.22 (entry and exit connection asset allowance) must account for capital contribution from Users relating to Transmission Connection Assets.

Part B: What is the licensee funded to deliver?

3.33.6 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 (SPSR_t)

3.33.7 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 SPSR_t where the licensee has not Fully Delivered an output in Appendix 1.

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

3.33.8 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.

3.33.9 The direction will set out:

- (a) the delivery status of the output that has not been Fully Delivered;
- (b) the value of the SPSR_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 SPSR_t term.

Appendix 1

REDACTED Power Station Investment Price Control Deliverable Allowance (£m)

	<u>26/27</u>	<u>27/28</u>	<u>28/29</u>	<u>29/30</u>	<u>30/31</u>	<u>All years</u>
<u>Transmission Connection Asset Allowance</u>						
<u>Licensee Allowance</u>	<u>34.50</u>	<u>64.28</u>	<u>70.18</u>	<u>5.59</u>	<u>0.00</u>	<u>174.56</u>
<u>Delivery date</u>	<u>31 March 2031</u>					
<u>Outputs</u>	<u>○ Replace the existing 4x132/11kV 50MVA Grid Transformers (GTs), associated switchgear, auxiliary equipment</u>					

	<u>26/27</u>	<u>27/28</u>	<u>28/29</u>	<u>29/30</u>	<u>30/31</u>	<u>All years</u>
	<ul style="list-style-type: none"> ○ <u>Install 4x 132/11kV GTs and associated ancillary equipment</u> ○ <u>Install 4x 132kV circuit breakers and associated ancillary equipment</u> ○ <u>Install 8x 11kV circuit breakers and associated ancillary equipment</u> ○ <u>Install 132kV and 11kV cabling and associated ancillary equipment</u> ○ <u>Install all required auxiliary assets, civil structures, and equipment</u> ○ <u>Replace required OHL assets</u> ○ <u>Remove all redundant assets</u> 					

Special Condition 3.34 REDACTED Power Station Price Control Deliverable (KPSt)

Introduction

3.34.1 The purpose of this condition is to calculate the term KPS_t (the REDACTED Power Station Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.

3.34.2 This condition specifies the outputs, delivery dates and associated allowances for the Price Control Deliverable.

3.34.3 This condition explains the process the Authority will follow when assessing the Price Control Deliverable.

Part A: Formula for calculating the Kilmorack Power Station Investment Price Control Deliverable term (KPS_t)

3.34.4 The value of KPS_t is derived in accordance with the following formula:

$$KPS_t = KPSA_c + KPSA_t - KPSR_t$$

where:

$KPSA_c$ means the allowance set out in Appendix 1 for Transmission Connection Assets;

$KPSA_t$ means the allowance set out in Appendix 1 for licensees; and

KPSR_t has the value zero, unless otherwise directed by the Authority in accordance with Part C.

3.34.5 The licensee, in accordance with Special Condition 3.22 (entry and exit connection asset allowance) must account for capital contribution from Users relating to Transmission Connection Assets.

Part B: What is the licensee funded to deliver?

3.34.6 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 (KPSR_t)

3.34.7 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 KPSR_t where the licensee has not Fully Delivered an output in Appendix 1.

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

3.34.8 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.

3.34.9 The direction will set out:

- (a) the delivery status of the output that has not been Fully Delivered;
- (b) the value of the KPSR_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 KPSR_t term.

Appendix 1

REDACTED Power Station Investment Price Control Deliverable Allowance (£m)

	<u>26/27</u>	<u>27/28</u>	<u>28/29</u>	<u>29/30</u>	<u>30/31</u>	<u>All years</u>
<u>Transmission Connection Asset Allowance</u>						
<u>Licensee Allowance</u>	<u>33.65</u>	<u>12.28</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>45.94</u>

<u>Delivery date</u>	<u>31 March 2031</u>
<u>Outputs</u>	<ul style="list-style-type: none"> • <u>Replace the existing 1x132/11kV 22.5MVA GT1 transformer with a new 30/36MVA transformer and associated ancillary equipment</u> • <u>Install new 11kV switchgear and associated ancillary equipment</u> • <u>Install required length of 11kV cables and associated ancillary equipment</u> • <u>Install new 132kV switchgear, including 1x 132kV circuit breaker, and associated ancillary equipment</u> • <u>Install required length of 132kV cables and associated ancillary equipment</u> • <u>Replace required OHL assets</u> • <u>Install all required associated auxiliary equipment</u>

Special Condition 3.35 REDACTED Power Station Price Control Deliverable (APSt)

Introduction

3.35.1 The purpose of this condition is to calculate the term APSt (the REDACTED Power Station Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.

3.35.2 This condition specifies the outputs, delivery dates and associated allowances for the Price Control Deliverable.

3.35.3 This condition also explains the process the Authority will follow when assessing the Price Control Deliverable.

Part A: Formula for calculating the REDACTED Power Station Investment Price Control Deliverable term (APSt)

3.35.4 The value of APSt is derived in accordance with the following formula:

$$APSt = APSAc + APSAt - APSRt$$

where:

APSA_c means the allowance set out in Appendix 1 for Transmission Connection Assets;

APSA_t means the allowance set out in Appendix 1 for licensees; and

APSR_t has the value zero, unless otherwise directed by the Authority in accordance with Part C.

3.35.5 The licensee, in accordance with Special Condition 3.22 (entry and exit connection asset allowance) must account for capital contribution from Users relating to Transmission Connection Assets.

Part B: What is the licensee funded to deliver?

3.35.6 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 (APSR_t)

3.35.7 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 APSR_t where the licensee has not Fully Delivered an output in Appendix 1.

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

3.35.8 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.

3.35.9 The direction will set out:

- (a) the delivery status of the output that has not been Fully Delivered;
- (b) the value of the APSR_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 APSR_t term.

Appendix 1

REDACTED Power Station Investment Price Control Deliverable Allowance (£m)

	<u>26/27</u>	<u>27/28</u>	<u>28/29</u>	<u>29/30</u>	<u>30/31</u>	<u>All years</u>
<u>Transmission Connection Asset Allowance</u>						
<u>Licensee Allowance</u>	<u>33.79</u>	<u>12.34</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>46.13</u>

<u>Delivery date</u>	<u>31 March 2031</u>
<u>Outputs</u>	<ul style="list-style-type: none"> ○ <u>Replace the existing 1x132/11kV 22.5MVA GT1 transformer with a new 30/36MVA transformer and associated ancillary equipment</u> ○ <u>Install new 11kV switchgear and associated ancillary equipment</u> ○ <u>Install required length of 11kV cables and associated ancillary equipment</u> ○ <u>Install new 132kV switchgear, including 1x 132kV circuit breaker, and associated ancillary equipment</u> ○ <u>Install required length of 132kV cables and associated ancillary equipment</u> ○ <u>Replace required OHL assets</u> ○ <u>Install all required associated auxiliary equipment</u>

Special Condition 3.36 REDACTED Substation Upgrade Price Control Deliverable (OSU_t)

Introduction

3.36.1 The purpose of this condition is to calculate the term OSU_t (the REDACTED Substation Upgrade Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.

3.36.2 This condition specifies the outputs, delivery dates and associated allowances for the Price Control Deliverable.

3.36.3 This condition explains the process the Authority will follow when assessing the Price Control Deliverable.

Part A: Formula for calculating the REDACTED Substation Upgrade Investment Price Control Deliverable term (OSU_t)

3.36.4 The value of OSU_t is derived in accordance with the following formula:

$$OSU_t = OSUA_c + OSUA_t - OSUR_t$$

where:

OSUA_c means the allowance set out in Appendix 1 for Transmission Connection Assets;

OSUA_t means the allowance set out in Appendix 1 for licensees; and

OSUR_t has the value zero, unless otherwise directed by the Authority in accordance with Part C.

3.36.5 The licensee, in accordance with Special Condition 3.22 (entry and exit connection asset allowance) must account for capital contribution from Users relating to Transmission Connection Assets.

Part B: What is the licensee funded to deliver?

3.36.6 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 (OSUR_t)

3.36.7 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 OSUR_t where the licensee has not Fully Delivered an output in Appendix 1.

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

3.36.8 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.

3.36.9 The direction will set out:

- (a) the delivery status of the output that has not been Fully Delivered;
- (b) the value of the OSUR_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 OSUR_t term.

Appendix 1

REDACTED Substation Upgrade Investment Price Control Deliverable Allowance (£m)

	<u>26/27</u>	<u>27/28</u>	<u>28/29</u>	<u>29/30</u>	<u>30/31</u>	<u>All years</u>
<u>Transmission Connection Asset Allowance</u>						
<u>Licensee Allowance</u>	<u>6.16</u>	<u>11.24</u>	<u>28.02</u>	<u>26.64</u>	<u>3.31</u>	<u>75.37</u>

<u>Delivery date</u>	<u>31 March 2031</u>
<u>Outputs</u>	<p><u>Deliver an offline build of the 132/11kV transmission connection assets at a new site near to the existing REDACTED Substation, including:</u></p> <ul style="list-style-type: none"> <u>○ Replace GT1 and associated equipment</u> <u>○ Replace 1x 132kV circuit switcher with circuit breaker and associated equipment</u> <u>○ Install 1x 11kV circuit breaker and associated equipment</u> <u>○ Install 132kV and 11kV cabling to new site location and OHL</u> <u>○ Replace protection system with modern equivalent</u> <u>○ Establish a new control building at the new site to house new protection and control panels, communications panels, batteries, and suitable welfare; and EV charging points</u>

Special Condition 3.37 REDACTED Substation Upgrade Price Control Deliverable (WCSU_t)

Introduction

3.37.1 The purpose of this condition is to calculate the term WCSU_t (the REDACTED Substation Upgrade Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.

3.37.2 This condition specifies the outputs, delivery dates and associated allowances for the Price Control Deliverable.

3.37.3 This condition explains the process the Authority will follow when assessing the Price Control Deliverable.

Part A: Formula for calculating the REDACTED Substation Upgrade Investment Price Control Deliverable term (WCSU_t)

3.37.4 The value of WCSU_t is derived in accordance with the following formula:

$$\underline{WCSU_t = WCSUA_c + WCSUA_t - WCSUR_t}$$

where:

WCSU_c means the allowance set out in Appendix 1 for Transmission Connection Assets;

WCSUA_t means the allowance set out in Appendix 1 for licensees; and

WCSUR_t has the value zero, unless otherwise directed by the Authority in accordance with Part C.

3.37.5 The licensee, in accordance with Special Condition 3.22 (entry and exit connection asset allowance) must account for capital contribution from Users relating to Transmission Connection Assets.

Part B: What is the licensee funded to deliver?

3.37.6 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 (WCSUR_t)

3.37.7 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 WCSUR_t where the licensee has not Fully Delivered an output in Appendix 1.

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

3.37.8 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.

3.37.9 The direction will set out:

- (a) the delivery status of the output that has not been Fully Delivered;
- (b) the value of the WCSUR_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 WCSUR_t term.

Appendix 1

REDACTED Substation Upgrade Investment Price Control Deliverable Allowance
(£m)

	<u>26/27</u>	<u>27/28</u>	<u>28/29</u>	<u>29/30</u>	<u>30/31</u>	<u>All years</u>
<u>Transmission Connection Asset Allowance</u>						
<u>Licensee Allowance</u>	<u>38.15</u>	<u>29.20</u>	<u>51.84</u>	<u>50.04</u>	<u>15.01</u>	<u>184.24</u>

<u>Delivery date</u>	<u>31 March 2031</u>
<u>Outputs</u>	<p><u>Upgrade REDACTED substation capacity:</u></p> <ul style="list-style-type: none"> ○ <u>Install 2x 120MVA 132/33kV transformers, associated ancillary equipment, 132kV and 33kV substation cables</u> <p><u>Install non-SF6 indoor 132kV switchgear, including:</u></p> <ul style="list-style-type: none"> ○ <u>4x 132kV transformer circuit breakers, and associated ancillary equipment</u> <p><u>Install new indoor 33kV GIS switchgear for REDACTED connections, including:</u></p> <ul style="list-style-type: none"> ○ <u>2x 33kV GT circuit breakers (owned by SSEN Transmission)</u> ○ <u>Distribution circuit breakers for REDACTED 33kV connections (to be transferred to SHEPD post-completion)</u> <p><u>Install non-SF6 GIS type indoor 132kV switchgear, including:</u></p> <ul style="list-style-type: none"> ○ <u>Other 9x 132kV circuit breakers (part of the GIS), and associated ancillary equipment</u> ○ <u>Install required length of 132kV cables to connect the GIS</u> ○ <u>Transfer the load from the existing 2 x 60MVA REDACTED transformers and AIS type switchgear</u> <p><u>Install new indoor 33kV GIS switchgear for REDACTED connections, including:</u></p> <ul style="list-style-type: none"> ○ <u>Install all required auxiliary assets, civil structures, and equipment</u> ○ <u>Energise REDACTED related transformers, switchgear, and auxiliary assets</u>

Special Condition 3.38 REDACTED Substation Upgrade Price Control Deliverable (DSU_t)

Introduction

- 3.38.1 The purpose of this condition is to calculate the term DSU_t (the REDACTED Substation Upgrade Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.
- 3.38.2 This condition specifies the outputs, delivery dates and associated allowances for the Price Control Deliverable.
- 3.38.3 This condition explains the process the Authority will follow when assessing the Price Control Deliverable.

Part A: Formula for calculating the REDACTED Substation Upgrade Investment Price Control Deliverable term (DSU_t)

- 3.38.4 The value of DSU_t is derived in accordance with the following formula:

$$DSU_t = DSUA_c + DSUA_t - DSUR_t$$

where:

- DSUA_c means the allowance set out in Appendix 1 for Transmission Connection Assets;
- DSUA_t means the allowance set out in Appendix 1 for licensees; and
- DSUR_t has the value zero, unless otherwise directed by the Authority in accordance with Part C.

- 3.38.5 The licensee, in accordance with Special Condition 3.22 (entry and exit connection asset allowance) must account for capital contribution from Users relating to Transmission Connection Assets.

Part B: What is the licensee funded to deliver?

- 3.38.6 Appendix 1 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part B: Assessment of outputs (DSUR_t)

- 3.38.7 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 DSUR_t where the licensee has not Fully Delivered an output in Appendix 1.

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

- 3.38.8 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.

3.38.9 The direction will set out:

- (a) the delivery status of the output that has not been Fully Delivered;
- (b) the value of the DSUR_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 DSUR_t term.

Appendix 1

REDACTED Substation Upgrade Investment Price Control Deliverable Allowance (£m)

	<u>26/27</u>	<u>27/28</u>	<u>28/29</u>	<u>29/30</u>	<u>30/31</u>	<u>All years</u>
<u>Transmission Connection Asset Allowance</u>						
<u>Licensee Allowance</u>	<u>7.15</u>	<u>12.61</u>	<u>27.95</u>	<u>38.10</u>	<u>8.37</u>	<u>94.18</u>

<u>Delivery date</u>	<u>31 March 2031</u>
<u>Outputs</u>	<ul style="list-style-type: none"> ○ <u>Replace 2x 45MVA transformers with 2x 120MVA transformers.</u> ○ <u>Install new indoor 33kV GIS type switchgear, including 2x33kV circuit breakers.</u> ○ <u>Connect the new site to the existing 132kV and 33kV network, by installing the required 33kV cables.</u> ○ <u>Install all required auxiliary assets, civil structures, and equipment.</u> ○ <u>Decommission all redundant assets.</u> ○ <u>Install new 132kV AIS type switchgear, including 2x 132kV circuit breakers, and associated ancillary equipment.</u>

	<ul style="list-style-type: none"> ○ <u>Connect the new site to the existing 132kV and 33kV network, by installing the required 132kV cables and OHL assets.</u> ○ <u>Decommission redundant OHL assets.</u>
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Special Condition 3.39 Flood Mitigation Price Control Deliverable (FM_t)

Introduction

3.39.1 The purpose of this condition is to calculate the term FM_t (the Flood Mitigation Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.

3.39.2 This condition specifies the outputs, delivery dates and associated allowances for the Price Control Deliverable.

3.39.3 This condition explains the process the Authority will follow when assessing the Price Control Deliverable.

Part A: Formula for calculating the Flood Mitigation Investment Price Control Deliverable term (FM_t)

3.39.4 The value of FM_t is derived in accordance with the following formula:

$$FM_t = FMA_t - FMR_t$$

where:

FMA_t means the allowance set out in Appendix 1; and

FMR_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?

3.39.5 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 (FMR_t)

3.39.6 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 FMR_t where the licensee has not Fully Delivered an output in Appendix 1.

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

3.39.7 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.

3.39.8 The direction will set out:

- (a) the delivery status of the output that has not been Fully Delivered;
- (b) the value of the FMR_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 FMR_t term.

Appendix 1

Flood Mitigation Investment Price Control Deliverable Allowance (£m)

	<u>26/27</u>	<u>27/28</u>	<u>28/29</u>	<u>29/30</u>	<u>30/31</u>	<u>All years</u>
<u>Allowance</u>	<u>0.00</u>	<u>0.09</u>	<u>4.57</u>	<u>11.45</u>	<u>17.09</u>	<u>33.21</u>
<u>Delivery date</u>	<u>31 March 2031</u>					
<u>Outputs</u>	<ul style="list-style-type: none"> ○ <u>Flood mitigation works at nine substations as listed in the SHET Redacted Information Document, based on the outputs of internal risk assessment and flood modelling analysis supplied by specialist consultants.</u> ○ <u>Basement sealing works at 55 Substations, based on the outputs of internal risk assessment and historic records of flooding at sites.</u> 					

Special Condition 3.40 Not Used

Special Condition 3.41 Not Used

Special Condition 3.42 Not Used

Special Condition 3.43 Not Used

Special Condition 3.44 Not Used

Special Condition 3.45 Not Used

Special Condition 3.46 Not Used

Special Condition 3.47 Not Used

Special Condition 3.48 Not Used

Special Condition 3.49 Not Used

Special Condition 3.50 Not Used

Special Condition 3.51 Not Used

Special Condition 3.41**Special Condition 3.52 Not Used**

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:

$$ODI_t = ENSI_t + IIGI_t + \cancel{CONADJ_t} + \cancel{QCS_t} + \cancel{ESI_t} + \cancel{SOTO_t} + CON_t + IDI_t + SOTO_t + ASTII_t + MPI_t$$

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);

~~$CONADJ_t$~~ CON_t has the value zero unless the Authority directs otherwise is derived in accordance with Special Condition 4.4 (Timely Connections output delivery incentive);

~~QCS_t~~ IDI_t is derived in accordance with Special Condition 4.5 (Quality of connections satisfaction survey ~~Innovative Delivery~~ output delivery incentive);

~~$SOTO_t$~~ ESI_t is derived in accordance with Special Condition 4.6 (Environmental scorecard ~~SO-TO optimisation~~ output delivery incentive); ~~and~~

~~$ASTII_t$~~ ~~$SOTO_t$~~ is derived in accordance with Special Condition 4.7 (SO-TO optimisation ~~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:

$$ENSI_t = \max[VOLL \cdot TIS(ENST_t - ENSA_t), -RIDPA \cdot EABR][VOLL_t \cdot TIMR(ENST_t - ENSA_t), -RIDPA \cdot RORE]$$

where:

- ~~VOLL~~ VOLL means the value of lost load which has the value £21,008,25,393 per MWh;
- ~~TIS~~ TIMR means the Totex Incentive ~~Strength~~ 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 ~~102MWh~~ 90MWh;
- 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 ~~1.9~~ of 0.38 per cent; and
- ~~EABR~~ RORE means ~~Ex-Ante Base Revenue~~ 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~~ 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~~
 - ~~(a) reject the proposed revisions and give recommendations as to alternative revisions that it considers should be made.~~
 - ~~(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

- ~~4.2.13~~ 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) ~~(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.

~~4.2.14~~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

~~4.2.15~~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

~~4.2.16~~4.2.18 Before issuing a direction under paragraphs ~~4.2.11~~4.2.11, ~~4.2.12~~ or ~~4.2.14~~4.2.14, the Authority will publish on the Authority's Website:

~~(a) the text of the proposed direction;~~

- (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 ~~not be less than~~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 ~~calculated baseline 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:

If ALE_t < CTE_t then:

$$IIGI_t = (CTE_t - ALE_t) \cdot NTPC_t \cdot \cancel{TIS_t} \cdot TIMR_t$$

If CTE_t < ALE_t ≤ UDE_t then:

$$IIGI_t = 0$$

If ALE_t > UDE_t then:

$$IIGI_t = (UDE_t - ALE_t) \cdot NTPC_t \cdot TIMR_t$$

where:

CTE_t means the ~~calculated baseline~~ target Insulation And Interruption Gas emissions in tonnes CO₂e from assets forming part of the licensee's Transmission System, which is ~~derived in accordance with paragraph 4.3.5;~~ 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;

UDE_t means the upper deadband limit for Insulation And Interruption Gas above the CTE_t target and equals 3099 tonnes of CO₂e;

NTPC_t means the relevant central non-traded price per tonne of CO₂e as set out in the latest Green Book Supplementary Guidance; and

~~TIS_t~~ TIM_t means the Totex Incentive ~~Strength~~ Mechanism Rate.
R_t

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.

Before directing an adjustment target Insulation And Interruption Gas emissions, under paragraph 4.3.5

~~4.3.5 The value of CTE_t is derived in accordance with the following formula:~~

$$CTE_t = BASE + \sum_{t=2021/22}^t (ADD_t - DSP_t - SFADJ_t)$$

—where:

BASE	means the licensee's baseline Insulation And Interruption Gas emissions in tonnes CO ₂ e and is calculated with respect to the Regulatory Year commencing on 1 April 2021 by multiplying the licensee's IIG Inventory at the end of RIIO-ET1 by 0.38%;
ADD _t	means the Insulation And Interruption Gas emissions in tonnes CO ₂ e from new assets added to the licensee's Transmission System as calculated in accordance with this condition. For an asset added during Regulatory Year t, a proportion of the annual emissions should be calculated based on the number of quarters of the Regulatory Year t during which it formed part of the licensee's Transmission System;
DSP _t	means the reduction in Insulation And Interruption Gas emissions in tonnes CO ₂ e from assets decommissioned from service on the licensee's Transmission System as calculated in accordance with this condition. For an asset removed during Regulatory Year t, a proportion of the annual emissions should be calculated based on the number of quarters of the Regulatory Year t during which it did not form part of the licensee's Transmission System; and
SFADJ _t	means the reduction in Insulation And Interruption Gas emissions in tonnes CO ₂ e from Funded SF ₆ Asset Interventions on the licensee's Transmission System following completion of the intervention, calculated using an estimate of the expected annual abatement, as set out in its submissions for funding for those interventions. For an asset intervened on during Regulatory Year t, a proportion of the annual emissions should be calculated based on the number of quarters of the Regulatory Year t during which that asset formed part of the licensee's Transmission System after the intervention work was completed.

4.3.6 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.

Part B: IIG Methodology Statement

4.3.64.3.7 The licensee must have in place an IIG Methodology Statement approved by the Authority.

4.3.74.3.8 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 ALE_t, ADD_t and DSP_t ~~terms term~~.

4.3.84.3.9 The licensee must use its best endeavours to apply the methodology in the IIG Methodology Statement.

4.3.94.3.10 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 4.3.84.3.7.

4.3.104.3.11 Before revising the IIG Methodology Statement, the licensee must submit a copy of the proposed revisions to the Authority.

4.3.114.3.12 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

~~4.3.12~~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 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.

~~4.3.13~~—Notification of an IIG Exceptional Event under paragraph 4.3.13~~The licensee must not provide the details required by paragraph 4.3.12(b) where the cost of doing so is likely to exceed the value of the volume of leakage referred to in paragraph 4.3.12(b)(i), calculated using the relevant central non-traded price per tonne of CO₂e as set out in the Green Book Supplementary Guidance.~~

4.3.14 will not be considered by the Authority when the volume of leakage of Insulation And Interruption Gas is lower than 15kg.

~~4.3.14~~4.3.15 Where an IIG Exceptional Event occurs, the Authority will consider directing an adjustment to the ALEt term.

~~4.3.15~~4.3.16 Before directing an adjustment to the ALEt term under paragraph ~~4.3.15~~4.3.14, 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 ~~not be less than~~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, before the end of the period of 14 days following the completion of the Regulatory Year, provide to the Authority:

- (a) details of the volume of leakage of Insulation And Interruption Gas that it considers resulted from incorrect OEM nameplate labelling of SF6 asset inventory;
 - (b) any evidence available which demonstrates the reported leakage results from mislabelling of IIG asset inventory by the OEM and not actual IIG emissions; and
 - (c) 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)

<u>Annual emissions targets (CTEt)</u>	<u>2026/27</u>	<u>2027/28</u>	<u>2028/29</u>	<u>2029/30</u>	<u>2030/31</u>
<u>SHET</u>	<u>2,988</u>	<u>2,684</u>	<u>2,396</u>	<u>2,021</u>	<u>2,045</u>

Special Condition 4.4 Connections output delivery incentive (CONADJtCONt)

Introduction

Introduction

- 4.4.1 The purpose of this condition is to calculate the term ~~CONADJtCONt~~ (the ~~timely~~ 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 ~~Where the Authority decides to apply the CONADJt term,~~ 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

~~failing to deliver timely offers for connection to the licensee's Transmission System~~
~~a failure to complete its Stage One Commissioning Activities before or within a period of 30 calendar days after the Connections Incentive Target Date.~~

Part A: Formula for calculating the ~~Timely Connections~~ Connections output delivery incentive term (~~CONADJ_t~~ CON_t)

4.4.3 The value of ~~CONADJ_t~~ CON_t is derived in accordance with the following formula:

$$CON_t = [CIV_t \times COT_t] - \left[\frac{CIV_t}{2} \times COL_t \right]$$

$$\text{where: } CONADJ_t = - \frac{\text{Untimely Offers}_t}{\text{Total Offers}_t} \times 0.005 \times EABR_t$$

~~where:~~

~~Untimely Offers_t~~ means the total number of offers made other than in accordance with the licensee's Timely Connections Obligations;
~~Total Offers_t~~ means the sum of the number of Untimely Offers and the number of offers made consistent with the licensee's Timely Connections Obligations; and
~~EABR_t~~ means Ex-Ante Base Revenue.

Part B: Process for directing the application of the ~~CONADJ_t~~ term

~~4.4.4 Where the Authority considers that the CONADJ_t term should apply as an adjustment to the licensee's Calculated Revenue it will do so by direction.~~

~~4.4.51.1.1 Before issuing a direction under paragraph 4.4.4 the Authority will publish on the Authority's Website:~~

~~(a) the text of the proposed direction;~~

~~(b)(a) the reasons for the proposed direction; and~~

~~a period during which representations may be made on the proposed direction, which will~~

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 21, ~~t~~. 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 ReportingRegulatory 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

by the 30th calendar day 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 ED.

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 Connections Project Register to the Authority by 1 ~~April~~ October 2026. The licensee shall submit an updated Connections Project Register by 1 April 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 Connections 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 Connections Projects.
- 4.4.9 A modification under this Part will be made under section 11A of the Act.
- ~~4.4.10 All Connections Projects listed in Appendix 1 will contribute to Part A.~~

Part C: Changes to Connections Incentive Target Date

The Authority will direct a change to the Connections Incentive Target Date for the purposes of calculating the formula in Part A if any of the circumstances in paragraph 0 apply.

The circumstances are:

- (b) where 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 amended Connection Project Completion Date is on or before 31 March 2031 ; or
- (c) where the licensee and ISOP agree to a delay of date in the TO Construction Agreement.

- 4.4.11 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.

4.4.12 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

4.4.13 Where a Connections Project is not connected by 30 days after the Connections Incentive Target Date, 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 4.4.14, 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 Connections Project if any of the circumstances in paragraph 4.4.14 apply.

4.4.14 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 not done so, 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.

4.4.15 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 4.4.14 has been met, using evidence from previous Regulatory Years where necessary.

4.4.16 The licensee must provide the Authority with reasonably available evidence to demonstrate that any of the circumstances specified in paragraph 4.4.14 are met. The Authority retains the right to request additional evidence.

4.4.17 If the Authority considers that the circumstances in paragraph 4.4.14 are met, the Authority may direct that the relevant Connection Project is excluded from COL_t.

Appendix 1

Project Connections Register Connections Incentive Target Date Register

<u>Project ID</u>	<u>Connection Project Completion Date (dd/mm/yyyy)</u>	<u>Connections Incentive Target Date (dd/mm/yyyy)</u>

Appendix 2

(c)-Unit not be less than 28 days.

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

value of the incentive (CIV_t)

	<u>2026/27</u>	<u>2027/28</u>	<u>2028/29</u>	<u>2029/30</u>	<u>2029/31</u>
<u>CIV_t</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>

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 QCS_t ~~IDI_t~~ (the ~~quality of connections satisfaction survey~~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 also 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 is to reward or penalise the licensee where its customer service performance improves or deteriorates term (IDI_t)

Part B: Adjustments arising from the quality of connections satisfaction survey (QCS_t)

4.5.24.5.5 The value of the QCS_t term IDI_t is derived in accordance with the following formula:

$$QCS_t = \begin{cases} \min\left(\frac{QCSAS_t - QCSATU_t}{QCSAMAX_t - QCSATU_t}, 1\right) QCSUPAt \cdot EABR_t, & QCSAS_t \geq QCSATU_t \\ \max\left(\frac{QCSAS_t - QCSATU_t}{QCSATU_t - QCSAMIN_t}, -1\right) QCSDPAt \cdot EABR_t, & QCSAS_t < QCSATU_t \end{cases}$$

$$IDI_t = \max(0, \min(IDIPAS_t, IDIMAX_t))$$

where:

QCSAS _t	means the performance score for the quality of connections satisfaction survey;
QCSATU _t	means the quality of connections satisfaction survey performance score target, fixed at 7.7
QCSAMAX _t	means the quality of connections satisfaction survey maximum level of reward, which is fixed as 9;
QCSAMIN _t	means the quality of connections satisfaction survey maximum level of penalty, which is fixed as 6.4;
EABR	means Ex Ante Base Revenue;
QCSUPA _t	means the quality of connections satisfaction survey maximum upside percentage point adjustment, and has the value specified in Appendix 1; and
QCSDPA _t	means the quality of connections satisfaction survey maximum downside percentage point adjustment, and has the value specified in Appendix 1.

Appendix 1

Quality of connections survey maximum upside and minimum downside percentage point adjustment

Regulatory Year	2021/ 22	2022/ 23	2023/ 24	2024/ 25	2025/ 26
QCSUPA _t	0.0025	0.005	0.005	0.005	0.005
QCSDPA _t	0	0.005	0.005	0.005	0.005

Special Condition 4.6 Environmental scorecard output delivery incentive (ESI_t)

Introduction

- 4.6.1 — The purpose of this condition is to calculate the term ESI_t (the environmental scorecard output delivery incentive term). This contributes to the calculation of the ODI_t term (the output delivery incentives term), which in turn feeds into the calculation of the Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 4.6.2 — The effect of this incentive is to reward or penalise the licensee for its performance in the environmental areas specified in this licence condition compared to annual thresholds.
- 4.6.3 — This condition also sets out the process that the Authority will follow to delay the application of this condition, until such time as the licensee has brought forward the necessary evidence to populate the values in this condition.

Part A: Process for turning on this licence condition

- 4.6.4 — Part B does not have effect and the value of ESI_t will be zero, until such time as the Authority directs otherwise.
- 4.6.5 — The licensee may request that the Authority make a direction under paragraph 4.6.4 by sending an application to the Authority in writing setting out:
- (a) the proposed values for OTTR1_t, OTTR2_t, OTTP1_t, OTTP2_t, OTI_t, BMTR1_t, BMTR2_t, BMTP1_t, BMTP2_t, BMI_t, WRTR1_t, WRTR2_t, WRTP1_t, WRTP2_t, WRI_t, WTR1_t, WTR2_t, WTP1_t, WTP2_t, WI_t, WUTR1_t, WUTR2_t, WUTP1_t, WUTP2_t, WUI_t, EVTR1_t, EVTR2_t, EVTP1_t, EVRP2_t, EVI_t, EVTT_t, BGTR_t, BGTP_t, BGI_t;
 - (b) the scope of WRA_t, WA_t and WUA_t; and
 - (c) the baseline measures for the impact areas set out in Appendix 3.
- 4.6.6 — The licensee may only make an application under paragraph 4.6.5 where it has evidence of support from relevant stakeholders on:
- (a) the proposed values for the terms set out in paragraph 4.6.5(a);
 - (b) the proposed scope for WRA_t, WA_t and WUA_t; and

(c) the baseline measures for the impact areas set out in Appendix 3.

Before

$IDIPAS_t$ 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 in accordance with the Innovative Delivery Incentive Guidance Document 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 Submissions specified at paragraph 4.5.5.

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 a direction under paragraph 4.6.4 its recommendation to the Authority;

(h) the methodology the Authority will publish on the Authority's use to determine the value of IDIPAS_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.

4.6.74.5.11 Before issuing the Innovative Delivery Incentive Guidance Document, the Authority will publish on the Authority's Website:

(a) the text of the proposed directionInnovative Delivery Incentive Guidance Document;

(b) the reasons for the proposed direction; and

(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 directionInnovative Delivery Incentive Guidance Document, which will not be less than up to 28 days unless the Authority determines that a longer period is appropriate.

4.6.8 — A direction under paragraph 4.6.4 will set out:

(a) amendments to this condition:

(b) setting the values for the terms specified in paragraph 4.6.5(a);

(c) defining the scope of WRA_t, WA_t and WUA_t; and

(d) setting the baseline measures for the impact areas in Appendix 3; and

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 from on which the direction is to haveAuthority 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 under paragraph 4.5.5 not be before the first day, the Authority will publish on the Authority's Website:

(a) the text of the Regulatory Year following proposed direction;

- (b) ~~the making of 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 Formula reward for calculating the environmental scorecard Innovative Delivery output delivery incentive term (ESI_t IDIMAX_t) (£m)

4.6.9 — Where the Authority has made a direction under Part A, the value of ESI_t is to be derived in accordance with the following formula:

$$ESI_t = (OT_t + BM_t + WR_t + W_t + WU_t + BG_t + EV_t) * TIS$$

where:

OT_t	means the value for the operational transport emissions component of the environmental scorecard incentive derived in accordance with the following formula: $= 2 * OTI_t$, if $OTA_t \leq OTTR2_t$ $= OTI_t$, if $OTTR1_t \leq OTA_t < OTTR2_t$ $= -2 * OTI_t$, if $OTA_t \geq OTTP2_t$ $= -OTI_t$, if $OTTP1_t \leq OTA_t < OTTP2_t$ otherwise has a value zero;
OTI_t	means the incentive for operational transport emissions and has the value set out in Appendix 1;
OTA_t	means the percentage change in the licensee's total operational transport emissions compared to baseline levels in Appendix 3;
$OTTR2_t$	means the second reward threshold for operational transport emissions and has the value set out in Appendix 2;
$OTTR1_t$	means the first reward threshold for operational transport emissions and has the value set out in Appendix 2;
$OTTP1_t$	means the first penalty threshold for operational transport emissions and has the value set out in Appendix 2;
$OTTP2_t$	means the second penalty threshold for operational transport emissions and has the value set out in Appendix 2;
BM_t	means the value for the business mileage emissions component of the environmental scorecard incentive derived in accordance with the following formula:

	$= 2 * BMI_t$, if $BMA_t \leq BMTR2_t$ $= BMI_t$, if $BMTR1_t \leq BMA_t < BMTR2_t$ $= -2 * BMI_t$, if $BMA_t \geq BMTP2_t$ $= -BMI_t$, if $BMTP1_t \leq BMA_t < BMTP2_t$ otherwise has a value zero;
BMI_t	means the incentive for business mileage emissions and has the value set out in Appendix 1;
BMA_t	means the percentage change in the licensee's total business mileage CO2e emissions compared to baseline levels in Appendix 3;
$BMTR2_t$	means the second reward threshold for business mileage emissions and has the value set out in Appendix 2;
$BMTR1_t$	means the first reward threshold for business mileage emissions and has the value set out in Appendix 2;
$BMTP1_t$	means the first penalty threshold for business mileage emissions and has the value set out in Appendix 2;
$BMTP2_t$	means the second penalty threshold for business mileage emissions and has the value set out in Appendix 2;
WR_t	means the value for the waste recycling component of the environmental scorecard incentive derived in accordance with the following formula: $= 2 * WRI_t$, if $WRA_t \geq WRTR2_t$ $= WRI_t$, if $WRTR1_t \leq WRA_t < WRTR2_t$ $= -2 * WRI_t$, if $WRA_t \leq WRTP2_t$ $= -WRI_t$, if $WRTP1_t \leq WRA_t < WRTP2_t$ otherwise has a value zero;
WRI_t	means the incentive for waste recycling and has the value set out in Appendix 1;
WRA_t	means the percentage of the licensee's operational and office waste that is recycled;
$WRTR2_t$	means the second reward threshold for waste recycling and has the value set out in Appendix 2;
$WRTR1_t$	means the first reward threshold for waste recycling and has the value set out in Appendix 2;
$WRTP1_t$	means the first penalty threshold for waste recycling and has the value set out in Appendix 2;

$WRTP2_t$	means the second penalty threshold for waste recycling and has the value set out in Appendix 2;
W_t	means the value for the waste reduction component of the environmental scorecard incentive derived in accordance with the following formula: $= 2 * WI_t$, if $WA_t \leq WTR2_t$ $= WI_t$, if $WTR1_t \leq WA_t < WTR2_t$ $= -2 * WI_t$, if $WA_t \geq WTP2_t$ $= -WI_t$, if $WTP1_t \leq WA_t < WTP2_t$ otherwise has the value zero;
WI_t	means the incentive for waste reduction and has the value set out in Appendix 1;
WA_t	means the percentage change in the licensee's waste generated compared to baseline levels in Appendix 3;
$WTR2_t$	means the second reward threshold for waste reduction and has the value set out in Appendix 2;
$WTR1_t$	means the first reward threshold for waste reduction and has the value set out in Appendix 2;
$WTP1_t$	means the first penalty threshold for waste reduction and has the value set out in Appendix 2;
$WTP2_t$	means the second penalty threshold for waste reduction and has the value set out in Appendix 2;
WU_t	means the value for the water use reduction component of the environmental scorecard incentive derived in accordance with the following formula: $= 2 * WUI_t$, if $WUA_t \leq WUTR2_t$ $= WUI_t$, if $WUTR1_t \leq WUA_t < WUTR2_t$ $= -2 * WUI_t$, if $WUA_t \geq WUTP2_t$ $= -WUI_t$, if $WUTP1_t \leq WUA_t < WUTP2_t$ otherwise has a value zero;
WUI_t	means the incentive for water use reduction and has the value set out in Appendix 1;

WUA_t	means the percentage change in the volume of [scope to be defined eg construction/operational/office] water use compared to the baseline levels in Appendix 3;
$WUTR2_t$	means the second reward threshold for water use reduction and has the value set out in Appendix 2;
$WUTR1_t$	means the first reward threshold for water use reduction and has the value set out in Appendix 2;
$WUTP1_t$	means the first penalty threshold for water use reduction and has the value set out in Appendix 2;
$WUTP2_t$	means the second penalty threshold for water use reduction and has the value set out in Appendix 2;
BG_t	means the value for the Biodiversity Net Gain component of the environmental scorecard incentive derived in accordance with the following formula: $= BGR_t + BGP_t$
BGR_t	means the value of reward for all Qualifying Projects that have met or exceeded the reward threshold and is derived in accordance with the following formula: $= NR_t * BGI_t$ otherwise has the value zero;
BGP_t	means the value of penalty for all Qualifying Projects that achieved equal to or less the penalty threshold and is derived in accordance with the following formula: $= NP_t * BGI_t$ otherwise has the value zero;
NR_t	means the number of Qualifying Projects that have met or exceeded the reward threshold BGR_t in the Regulatory Year and otherwise has the value zero;
NP_t	means the number of Qualifying Projects that have achieved equal to or less than the penalty threshold BGP_t in the Regulatory Year and otherwise has the value zero;
BGI_t	means the incentive for Biodiversity Net Gain and has the value set out in Appendix 1;

BGTR _t	means the reward threshold for Biodiversity Net Gain and has the value set out in Appendix 2;
BGTP _t	means the penalty threshold for Biodiversity Net Gain and has the value set out in Appendix 2;
EV _t	<p>means the value for the Environmental Value component of the environmental scorecard incentive;</p> <p>For years 2021/22 to 2024/25, EV_t is derived in accordance with the following formula:</p> $=EVPC_t + EVCOR_t$ <p>For the final year of the Price Control Period, 2025/26, it is derived in accordance with the following formula:</p> $= -[aa] * EVI_t - EVCOM_{t-1}, \text{ if } \sum_{2021/22}^t EVA_t * 100 < [bb],$ $= (\text{Min}(\sum_{2021/22}^t EVA_t * 100, [dd]) - [cc]) * EVI_t - EVCOM_{t-1} \text{ in all other cases;}$
EVPC _t	<p>means the valuation of the annual change in Environmental Value and is derived in accordance with the following formula:</p> $= EVI_t * (EVTP2_t - EVTT_t) * 100, \text{ if } EVA_t \leq EVTP2_t;$ $= EVI_t * (EVTP1_t - EVTT_t) * 100, \text{ if } EVTP2_t < EVA_t \leq EVTP1_t;$ $= EVI_t * (EVTR1_t - EVTT_t) * 100, \text{ if } EVTR1_t \leq EVA_t < EVTR2_t;$ $= EVI_t * (EVTR2_t - EVTT_t) * 100, \text{ if } EVA_t \geq EVTR2_t;$ <p>otherwise has the value zero;</p>
EVI _t	means the incentive for Environmental Value and has the value set out in Appendix 1;
EVTR1 _t	means the first reward threshold for Environmental Value and has the value set out in Appendix 2;
EVTR2 _t	means the second reward threshold for Environmental Value and has the value set out in Appendix 2;
EVTP1 _t	means the first penalty threshold for Environmental Value and has the value set out in Appendix 2;
EVTP2 _t	means the second penalty threshold for Environmental Value and has the value set out in Appendix 2;
EVTT _t	means the baseline Environmental Value target and has the value set out in Appendix 4;

EVA_t	means the annual percentage change in the Environmental Value of the licensee's non-operational land compared to the baseline levels in Appendix 1;
$EVCOR_t$	means the correction factor for the Environmental Value component and is derived in accordance with the following formula: $= \text{Min} [-(EVCOM_{t-1} + EVPC_t), (EVA_t - EVTT_t) * 100 * EVI_t], \text{ if } (EVCOM_{t-1} + EVPC_t) < 0 \text{ AND } EVA_t > EVTT_t$ $= \text{Max} [-(EVCOM_{t-1} + EVPC_t), (EVA_t - EVTT_t) * 100 * EVI_t], \text{ if } (EVCOM_{t-1} + EVPC_t) > 0 \text{ AND } EVA_t < EVTT_t$ otherwise has a value zero;
$EVCOM_t$	means the cumulative calculated value of the Environmental Value component of the Environmental Scorecard over the Price Control Period and is derived in accordance with the following formula: $= \sum_{2021/22}^t EV_t;$
[bb], [cc] and [dd]	are placeholders for the respective cumulative percentage changes of $EVTP2_t$, $EVTR2_t$ and $EVTT_t$ as at the end of the Price Control Period;
[aa]	is a placeholder for the value to be derived from [bb] – [dd]; and
TIS	means the Totex Incentive Strength.

Appendix 1

Incentive values

Incentive rates	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026
OTI_t	TBC	TBC	TBC	TBC	TBC
BMI_t	TBC	TBC	TBC	TBC	TBC
WRI_t	TBC	TBC	TBC	TBC	TBC
WI_t	TBC	TBC	TBC	TBC	TBC
WUI_t	TBC	TBC	TBC	TBC	TBC
EVI_t	TBC	TBC	TBC	TBC	TBC
BGI_t	TBC	TBC	TBC	TBC	TBC

Appendix 2

Annual performance thresholds

Annual performance thresholds	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026
OTTR2	TBC	TBC	TBC	TBC	TBC
OTTR1					
OTTP1					
OTTP2					
BMTR2	TBC	TBC	TBC	TBC	TBC
BMTR1					
BMTP1					
BMTP2					
WRTR2	TBC	TBC	TBC	TBC	TBC
WRTR1					
WRTP1					
WRTP2					
WTR2	TBC	TBC	TBC	TBC	TBC
WTR1					
WTP1					
WTP2					
WUTR2	TBC	TBC	TBC	TBC	TBC
WUTR1					
WUTP1					
WUTP2					
EVTR2	TBC	TBC	TBC	TBC	TBC
EVTR1					
EVTP1					
EVTP2					
BGTR	TBC	TBC	TBC	TBC	TBC
BGTP					

Appendix 3

Baseline measures

Impact area	Year	Level
Operational fleet emissions	TBC	TBC
Business travel emissions covering [scope to be defined]	TBC	TBC
Waste generated in tonnes covering [scope to be defined]	TBC	TBC
Water use in litres [scope to be defined]	TBC	TBC

Environmental Value of licensee's non-operational land (£m)	TBC	TBC
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Appendix 4

Baseline Environmental Gain Targets

	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026
EVT _T	TBC	TBC	TBC	TBC	TBC

Licensee	2026/27	2027/28	2028/29	2029/30	2030/31
SHET	-0	21.1620.12	-0	63.4960.35	-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
SHET	=	=	=	=	=

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

Introduction

4.7.14.6.1 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 reward the licensee where it has delivered SO-TO Optimisation Solutions:

- (a) define what services under the STCP11.4 Enhanced Service 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
- (a)(c) the requirements for the licensee to comply with the SO-TO Governance Document.

Part A: Formula for calculating the SO-TO optimisation output delivery incentive term ($SOTO_t$)

4.7.24.6.4 For Regulatory Years commencing on 1 April 2023, 1 April 2024 and 1 April 2025, The value of the term $SOTO_t$ is derived in accordance with the following formula:

$$SOTO_t = \min(SOTOSF_t \cdot 0.5 \cdot (SOTOS_t + SOTO_{0t}), SOTOSF_t \cdot SOTOS_t) \min(SOTOSF_t - 0.5 \cdot (SOTOS_t + SOTO_{0t}), SOTOSF_t - SOTOS_t)$$

$$SOTO_t = \min((SOTOSF_t \times 0.5) \times (SOTOS_t + SOTO_{0t})), (SOTOSF_t \times SOTOS_t)$$

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 solutions Enhanced Services or Interventions delivered by the licensee in accordance with the SO-TO Optimisation Governance Document; and

$SOTO_{0t}$ means the total outturn constraint savings estimated by the ISOP after due to the solutions Enhanced Services or Interventions are delivered by the licensee in accordance with the SO-TO Optimisation Governance Document.

Part B: SO-TO Optimisation Governance Document

4.7.34.6.5 The licensee must comply with the SO-TO Optimisation Governance Document.

4.7.44.6.6 The Authority will issue and amend the SO-TO Optimisation Governance Document by direction.

4.7.54.6.7 The Authority will publish the SO-TO Optimisation Governance Document on the Authority's Website.

4.7.64.6.8 The SO-TO Optimisation Governance Document will make provision, and continue to make provision, about the governance and administration of the SO-TO Optimisation Optimisation output delivery incentive, including:

(a) the definition of 'SO-TO Optimisation Solutions'; and

(b)(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.

4.7.74.6.9 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 ~~not be less than 28 days~~ be up to 28 days unless the Authority determines that a longer period is appropriate.

~~4.7.84.6.10~~ 4.6.10 Before ~~amending~~ 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 ~~not be less than 28 days~~ be up to 28 days unless the Authority determines that a longer period is appropriate.

~~Special Condition 4.8 Consumer value proposition~~

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 SOT-TO Optimisation Solution identified by the ISOP as being necessary prior to the licensee's RII0-3 business plan submission on 11 December 2024.

Part D: Failure to fulfil requested Enhanced Services or Interventions

Introduction

4.8.1—The purpose of this condition is to:

- (a) ~~specify the CVP Outputs and associated CVP Rewards; and~~
- (b) ~~allow for the adjustment of the term BPI_t (the Business Plan incentive term), which contributes to the calculation of Calculated Revenue in Special Condition 2.1 (Revenue restriction).~~

4.8.2—~~This condition also explains the process the Authority will follow when assessing the delivery of the CVP Outputs and directing a value for an adjustment to BPI_t.~~

~~Part A: What is the licensee expected to deliver?~~

4.8.3—~~Appendix 1 specifies the CVP Outputs that the licensee is expected to deliver, the delivery dates for those outputs and the rewards and costs provided.~~

Part B: Reporting requirements

4.8.4—The licensee must submit a report to the Authority:

- (a) ~~demonstrating how the licensee has delivered its CVP Outputs set out in Appendix 1;~~
- (b) ~~where it has not delivered a CVP Output, an explanation of the reasons why; and~~
- (c) ~~such detailed evidence as is reasonable in the circumstances.~~

4.8.5—~~The report must be submitted on or before a date directed by The Authority, which will be may reduce the value of SOT-TO to a value not less than zero, if after the Price Control Period ends.~~

Part C: Authority Assessment and direction

~~4.8.6~~4.6.16—~~The Authority will consider directing an adjustment to the BPI_t term after the Price Control Period where~~Period if on or around RII0-3 closeout, it determines that the licensee has not demonstrated CVP Full Delivery failed to fulfil any Enhanced Service or Intervention requested by the ISOP.

4.8.7—Any adjustment to the BPI_t term under paragraph 4.8.6 will use the adjustment mechanism set out in RII0-2 Final Determinations—SHET Annex.

~~4.6.17~~ Before making a direction under paragraph 4.8.6 The Authority will publish on have regard to the following matters in determining the reduction to SOTot:

(a) ~~the value lost to the Authority's Website: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;~~

~~(b)(a) any the text of the proposed direction;~~

~~(c)(a) the reasons for the proposed direction; and~~

~~(d)(c) _____ a period during which representations may be made on the~~
~~proposed direction, which willfrom the licensee as to why the Enhanced~~
~~Service or Intervention had not be less than 28 days been fulfilled; and~~

~~4.8.8~~ A direction under paragraph 4.8.6 will set out the value of the BPI, term and the
Regulatory Years to which that value relates.

Appendix 4

Consumer value propositions

CVP name	CVP Output	Delivery date	Reward (£m)
Science Based Target	Emissions reduction of 2,816 t/CO2e relative to 2019 baseline of 8,448 t/CO2e.	31 Mar 2026	2.08
Biodiversity No Net Loss / Net Gain	Designing sufficient Biodiversity Units into construction projects in order to achieve No Net Loss on projects consented from 2020 and Biodiversity Net Gain on projects consented from 2025.	31 Mar 2026	8.46

(d) any other factors it considers relevant.

Special Condition 4.9~~Special Condition 4.7~~ Accelerated strategic transmission investment output delivery incentive (ASTII_t)

Introduction

~~4.9.14.7.1~~ 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.

~~4.9.24.7.2~~ The effect of this incentive is to reward or penalise the licensee's performance in relation to the ASTI ODI Target Date.

~~4.9.34.7.3~~ 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)

~~4.9.44.7.4~~ The value of the term ASTII_t is derived in accordance with the following formula:

$$ASTII_t = \sum_{n=1}^n AnnualODIP_{n,t} + \sum_{n=1}^n AnnualODIR_{n,t}$$

$$AnnualODIP_{n,t} =$$

$$-F_n \cdot \min \left[\max[\text{Start Day of year } (t+1) - \text{CalcD}, 0], \text{days in year } t, \right. \\ \left. - \min \left[\frac{\text{CappedODI}_n - \sum_{2021/22}^{t-1} AnnualODIP_{n,t}}{F_n}, 0 \right] \right] \\ + 0 \left] \min \left[\max[\text{Start Day of year } (t+1) - \text{CalcD}, 0], \text{days in year } t, \right. \right. \\ \left. \left. - \min \left[\frac{\text{CappedODI}_n - \sum_{2021/22}^{t-1} AnnualODIP_{n,t}}{F_n}, 0 \right] \right] \right]$$

$$AnnualODIR_{n,t} =$$

$$F_n \cdot \min \left[\max[\text{Start Day of year } (t+1) - \text{Delivery Date}_n, 0], \text{days in year } t, \max \left[\frac{\text{CappedODI}_n - \sum_{2021/22}^{t-1} AnnualODIR_{n,t}}{F_n}, 0 \right] \right] \min \left[\max[\text{Start Day of year } (t+1) - \text{Delivery Date}_n, 0], \text{days in year } t, \max \left[\frac{\text{CappedODI}_n - \sum_{2021/22}^{t-1} AnnualODIR_{n,t}}{F_n}, 0 \right] \right]$$

where

$$CappedODI_n = \max[\min(UncappedODI_n, Cap_n), -Cap_n];$$

and

$$UncappedODI_n = \begin{cases} -F_n \cdot (D_n - PE_n), & \text{if } D_n \geq 0 \\ -F_n \cdot D_n, & \text{if } D_n < 0 \end{cases}$$

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_n	represents each ASTI project

Part B: Applications for modifications to Appendix 1

~~4.9.54.7.5~~ 4.9.74.7.5 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.

~~4.9.64.7.6~~ 4.9.74.7.6 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.

~~4.9.74.7.7~~ 4.9.74.7.7 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~~ an ASTI ODI-F Delay Event. The licensee must notify the Authority in writing of its intention to make an application under paragraph ~~4.9.7.8~~ 4.9.7.8 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; ~~or~~ or

~~(c) this condition coming into effect.~~

~~4.9.84.7.8~~ The licensee may apply to the Authority:

~~(a)~~ within 45 days of the earlier of:

~~(b)~~ (a) cessation of the event that is the subject of the application; or

i. ~~—Error! Reference source not found.~~ the notification to the Authority in accordance with paragraph 4.9.7(c); or

~~(c)~~ (b) by any other date directed by the Authority, which shall be no earlier than the relevant date under paragraph 4.9.7.8(a).

~~4.9.94.7.9~~ An application under paragraph 4.9.7.8 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.

~~4.9.104.7.10~~ 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.

~~4.9.114.7.11~~ 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
Beaully to Blackhillock 400 kV double circuit addition (NOA Code: BBNC)	31 December 2031	Have the values given in the ASTI Confidential Annex.	Have the values given in the ASTI Confidential Annex.	Zero Days
Uprate the Beaully to Denny 275 kV circuit to 400 kV (NOA Code: BDUP)	31 December 2031	Have the values given in the ASTI Confidential Annex.	Have the values given in the ASTI Confidential Annex.	Zero Days
Beaully to Loch Buidhe 400 kV reinforcement (NOA Code: BLN4)	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 Blackhillock and Peterhead (NOA Code: BPNC)	31 December 2031	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 the south HumberWest Norfolk offshore HVDC (EGL3)(NOA Code: E4L5)	31 December 2031August 2034	Have the values given in the ASTI Confidential Annex.	Have the values given in the ASTI Confidential Annex.	Zero Days
Spittal to Peterhead HVDC reinforcement (NOA Code: PSDC)	31 December 2031	Have the values given in the ASTI Confidential Annex.	Have the values given in the ASTI Confidential Annex.	Zero Days
Loch Buidhe to Spittal 400 kV reinforcement (NOA Code: SLU4)	31 December 2031	Have the values given in the ASTI Confidential Annex.	Have the values given in the ASTI Confidential Annex.	Zero Days
East Coast Onshore 400 kV Phase 2 reinforcement (NOA Code: TKUP)	31 December 2031	Have the values given in the ASTI Confidential Annex.	Have the values given in the ASTI Confidential Annex.	Zero Days
Arnish to Beaulieu 1.8GW HVDC link (Western Isles)	31 December 2031	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 establishes:

- (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:
 - i. the Major Projects ODI-F Penalty Exemption Period in Appendix 1 or Appendix 2 following a Major Projects ODI-F Delay Event; and
 - ii. the Major Projects ODI-F Target Delivery Date in Appendix 1 or Appendix 2 following a Major Project Fundamental Scope Change (Part D); and
 - iii. the Major Projects ODI-F Governance Document (Part E).

Part A: Formulae for calculating the Major Projects output delivery incentive ODI-F term (MPI_t)

4.8.4 The value of the term MPI_t is derived in accordance with the following formula:

$$MPI_t = \sum_{i=1}^t MPI_{i,t}$$

Where

$$MPI_{i,t} = AnnualIncentive_{i,t} + \sum_{i=1}^i LumpSum_{i,t}$$

where

$$AnnualIncentiveMPI_{i,t} = \sum_{i=1}^i AnnualPenalty_{i,t} + \sum_{i=1}^i (AnnualReward_{i,t} + LumpSum_{i,t})$$

and

$$AnnualPenalty_{i,t} =$$

$$-EP_i \times \min \left[\max[Start Day of year (t + 1) - CalcDD_i, 0], \text{days in year } t, \right. \\ \left. - \min \left[\frac{CappedODI_i - \sum_{2026/27}^{t-1} AnnualIncentive_{i,t}}{P_i}, 0 \right] \right]$$

and

$$AnnualReward_{i,t} =$$

$$R_i \times \min \left[\max[Start Day of year (t + 1) - DD_i, 0], \text{days in year } t, \max \left[\frac{CappedODI_i - \sum_{2026/27}^{t-1} MPI_{i,t}}{R_i}, 0 \right] \right]$$

AnnualReward_{i,t}

$$= \begin{cases} R_i \times \min \left[\max[\text{Start Day of year } (t + 1) - DD_i, 0], \text{days in year } t, \max \left[\frac{\text{CappedODI}_i - \sum_{2026/27}^{t-1} \text{AnnualIncentive}_{i,t}}{R_i}, 0 \right] \right] & \text{if } R_i > 0; \\ 0 & \text{otherwise} \end{cases}$$

and

$$\text{LumpSum}_{i,t} = \begin{cases} \min(\text{PotentialLS}_i, \text{RemainingCap}_t) & \text{if } DD_i \leq TDD_i \text{ and if } DD_i \text{ falls in year } t \\ 0 & \text{if } DD_i > TDD_i \\ 0 & \text{if } DD_i \text{ does not fall in year } t \end{cases}$$

$$\text{LumpSum}_{i,t} = \begin{cases} \text{PotentialLS}_i & \text{if } DD_i \leq TDD_i \text{ and if } DD_i \text{ falls in year } t \\ 0 & \text{otherwise} \end{cases}$$

and

$$\text{CappedODI}_i = \max[\min(\text{UncappedODI}_i, \text{CapR}_i - \text{PotentialLS}_i), -\text{CapP}_i];$$

and

$$\text{UncappedODI}_i = \begin{cases} (-\text{EP}_i \times (D_i - \text{PE}_i - \text{Deadband}_t)), & \text{if } DD_i > TDD_i \\ (-\text{ER}_i \times D_i), & \text{if } DD_i \leq TDD_i \end{cases}$$

and

$$\text{RemainingCap}_t = \max(0, \text{CapR}_t - \max(0, R_t \times (TDD_t - DD_t))$$

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 Major Projects ODI-F 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 Major Projects ODI-F 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 project in the Major Projects ODI-F, 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 Major Projects ODI-F 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 Major Projects ODI-F lump sum reward available for project i as set out in Appendix 1 or Appendix 2;

R_i is the daily Major Projects ODI-F 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_i)) 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, unrelated to a Major Projects ODI-F Delay Event.

4.8.13 The licensee must notify the Authority in writing of its intention to make an application under this Part paragraph 4.8.11 no more than 45 days after the later of:

- (a) the date on which the **event Major Projects ODI-F Delay Event** that is the subject of that application **commenced-commencing**; or
- (b) the licensee becoming aware of the **event Major Projects ODI-F Delay Event** having commenced.

4.8.14 The licensee may apply to the Authority for a modification under **this Part paragraph 4.8.11** by:

- (a) no later than 45 days after **the** cessation of the **event Major Projects ODI-F Delay Event** that is the subject of the application; or
- (b) **by** 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 Guidance and Submissions Requirements 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 **the event**, and to mitigate the impact of, the **event 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 and Submissions Requirements 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

<u>Major Project</u>	<u>Major Projects ODI-F Target Delivery Date</u>	<u>Penalty exemption period</u>	<u>Potential daily reward</u>	<u>Potential lump sum</u>	<u>Overall maximum reward</u>	<u>Potential daily penalty</u>	<u>Overall maximum penalty</u>
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Appendix 2

Major Projects ODI-F values for projects added through Part C

<u>Major Project</u>	<u>Major Projects ODI-F Target Delivery Date</u>	<u>Penalty exemption period</u>	<u>Potential daily reward</u>	<u>Potential lump sum</u>	<u>Overall maximum reward</u>	<u>Potential daily penalty</u>	<u>Overall maximum penalty</u>
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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:

$$ORA_t = NIA_t + CNIA_t + NTMP_t + NZF_t + TIRG_t + PRPN_t LEIP_t + CCO_t$$

where:

NIA_t is derived in accordance with Special Condition 5.2 (RIIO-23 Network Innovation Allowance);

$CNIA_t$ is derived in accordance with Special Condition 5.3 (Carry-over Network Innovation Allowance);

$NTMP_t$ is derived in accordance with Special Condition 5.4 (Non-Technical Mitigation Landscape Enhancement Initiative Projects allowance); and

NZF_t is derived in accordance with Special Condition 5.5 (Net Zero Fund Carbon Compensation use it or lose it allowance);

$TIRG_t$ is derived in accordance with Special Condition 5.7 (Transmission investment for renewable generation); and

$PRPN_t$ means the pre-RIIO pension true-up and has the value given in the ET2 Price Control Financial Model.

Special Condition 5.2 RIIO-23 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 ~~network innovation allowance~~ NIA over the RIIO-23 Price Control Period is subject to the following cap:

$$\sum_{t=2021/22}^{2025/26} (NIA_t) \leq (TNIA_t)$$
$$\sum_{t=2026/27}^{2030/31} (NIA_t) \leq (TNIA_t)$$

where:

NIA_t is derived in accordance with paragraph 5.2.4; and

$TNIA_t$ 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-23 NIA Governance Document

5.2.7 The licensee must comply with the RIIO-23 NIA Governance Document.

5.2.8 The Authority will issue and amend the RIIO-23 NIA Governance Document by direction.

5.2.9 The Authority will publish the RIIO-23 NIA Governance Document on the Authority's Website.

5.2.10 The RIIO-23 NIA Governance Document will make provision about the regulation, governance and administration of the NIA, including:

- (a) the definition of "unrecoverable NIA expenditure";
- (b) the eligibility criteria, which RIIO-23 NIA Projects must meet;
- (c) the information that is to be published by the licensee before RIIO-23 NIA Projects can begin;
- (d) the circumstances in which the licensee will require approval from the Authority before beginning a RIIO-23 NIA Project, and the processes and procedures for that approval;

- (e) arrangements for ensuring that learning from RIIO-23 NIA Projects ~~can be~~ 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-23 NIA Projects (which may include reporting in respect of the funding and the completion of such projects, ~~and the provisions of the RIIO-2 NIA Governance Document~~); and
 - (g) arrangements relating to the treatment of intellectual property rights in respect of RIIO-23 NIA Projects.
- 5.2.11 Before directing that the RIIO-23 NIA Governance Document comes into effect, the Authority will publish on the Authority's Website:
- (a) the text of the proposed RIIO-23 NIA Governance Document;
 - (b) the date on which the Authority intends the RIIO-23 NIA Governance Document to come into effect; and
 - (c) a period during which representations may be made on the content of the RIIO-23 NIA Governance Document, which will ~~not be less than~~ up to 28 days unless the Authority determines that a longer period is appropriate.
- 5.2.12 Before directing an amendment to the RIIO-23 NIA Governance Document, the Authority will publish on the Authority's Website:
- (a) the text of the amended RIIO-23 NIA Governance Document;
 - (b) the date on which the Authority intends the amended RIIO-23 NIA Governance Document to come into effect;
 - (c) the reasons for the amendments to the RIIO-23 NIA Governance Document; and
 - (d) a period during which representations may be made on the amendments to the RIIO-23 NIA Governance Document, which will ~~not be less than~~ 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)
<u>SHET National Grid Electricity Transmission</u>	8.00 117.5
<u>Scottish Power Transmission</u>	22.45
<u>Scottish Hydro Electric Transmission</u>	<u>24.00</u> 25.5

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 ~~allowances~~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 RIIO-1 ~~Network Innovation Allowance~~ 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. The value of CTNIA is derived from the following formula:

$$CTNIA = (TNIA - \sum_{t=2021/22}^{2025/26} NIA_t) \times \frac{PI_{2023/24}}{PI_{2018/19}}$$

where:

TNIA means the total NIA cap for the licensee, set out in Appendix 1 of the licence;

NIA_t means value of NIA in year 't';

$\frac{PI_{2023/24}}{PI_{2018/19}}$ is the price index derived in accordance with Part E of Special Condition 2.1.

- 5.3.4 For the ~~Regulatory Year~~ period commencing on 1 April ~~2021~~ 2026, and ending on 30 September 2027, the value of CNIA_t is derived in accordance with the following formula:

$$CNIA_t = (0.9 \cdot \min[ECNIA_t, CNIAV] - CNIA_{t-1}) \cdot \frac{PI_{2018/19}}{PI_t} \min(0.9 \times ECNIA_t, CTNIA - CNIA_{t-1}) - CNIA_{t-1}$$

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-1 ~~2~~ NIA Governance Document and reported to the Authority in accordance with Standard Condition B15 (Regulatory Instructions and Guidance);

CNIAV ~~is derived~~ means the value of CTNIA calculated in accordance with Part B; the formula in 5.3.47;

CNIA_{t-1} ~~means an amount recovered by the licensee~~ remaining CNIA allowance in relation to a Regulatory Year. For the Regulatory Year 2021/22 under 2026/27 the RHO value of CNIA_{t-1} Network Innovation Allowance which the Authority has directed is

unrecoverable in accordance with the RIIO-1 NIA Governance Document; and zero;

PI_{CNIA_t} is the price index derived in accordance with Part F of Special Condition 2.1. 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. For the Regulatory Year 2027/2028, this amount will be zero.

5.3.5 For Regulatory Years commencing on or In respect of any time after 1 April 2022 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.

Part B: Formula for calculating the Carry-over Network Innovation Allowance Value term ($CNIAV$)

5.3.7 The value of $CNIAV$ $CNIA$ is derived in accordance with from the following formula:

$$CNIAV = NIAV_{2020/21} \cdot BR_{2020/21} - (ENIA_{2020/21} + BPC_{2020/21})$$
$$- CNIA = (R2TNIA - \sum_{t=2021/22}^{2025/26} NIA_t)$$

where:

$NIAV_{2020/21}$ is calculated in accordance with Part B of Special Condition 3H (The Network Innovation Allowance) of this licence as in force on 31 March 2021;

$BR_{2020/21}$ is calculated in accordance with Part B of Special Condition 3H (The Network Innovation Allowance) of this licence as in force on 31 March 2021;

$ENIA_{2020/21}$ is calculated in accordance with Part B of Special Condition 3H (The Network Innovation Allowance) of this licence as in force on 31 March 2021; and

$BPC_{2020/21}$ is calculated in accordance with Part B of Special Condition 3H (The Network Innovation Allowance) of this licence as in force on 31 March 2021.

The $R2TNIA$ means the total RIIO-12 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 C: ~~Part B:~~ The RIIO-2 NIA Governance Document

5.3.8 The licensee must comply with the RIIO-12 NIA Governance Document.

5.3.9 The Authority will amend the RIIO-12 NIA Governance Document by direction.

5.3.10 The RIIO-42 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 can be 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-42 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 D: Part C: Procedure for amending the RIIO-42 NIA Governance Document

5.3.11 Before amending the RIIO-42 NIA Governance Document by direction, the Authority will publish on the Authority's Website:

- (a) the text of the amended RIIO-42 NIA Governance Document;
- (b) the date on which the Authority intends the amended RIIO-42 NIA Governance Document to come into effect;
- (c) the reasons for the amendments to the RIIO-42 NIA Governance Document; and
- (d) a period during which representations may be made on the amendments to the RIIO-42 NIA Governance Document, which will not be less than up to 28 days unless the Authority determines that a longer period is appropriate.

Non-Technical Mitigation Appendix 1

Value of the licensee's RIIO-2 Network Innovation Allowance

<u>Licensee</u>	<u>Value of R2TNIA (£m)</u>
<u>National Grid Electricity Transmission</u>	<u>61.44</u>
<u>Scottish Power Transmission</u>	<u>16.59</u>
<u>Scottish Hydro Electric Transmission</u>	<u>9.96</u>

Special Condition 5.4 Landscape Enhancement Initiative Projects allowance (NTMP_tLEIP_t)

Introduction

Introduction

5.4.1 The purpose of this condition is to specify the term NTMP_t (the Non-Technical MitigationLEIP_t (Landscape Enhancement Initiative Projects term 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 provide an allowance for Non-Technical Mitigation:

(a) calculate the $LEIP_t$ term;

(a)(b) specify the reporting requirements for the Landscape Enhancement Initiative Projects; and

Part A: Amending NTMP_t values

(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

5.4.2 The value of term NTMP_t in each Regulatory Year LEIP_t is derived in accordance with the following formula: The total amount of the licensee's allowances for Non-Technical Mitigation Projects for that Regulatory Year.

5.4.3 The Authority will calculate NTMP_t Value for the licensee allowance for LEIP is calculated in accordance with the following formula:

$$NTMP_t = \max \left(\min \left(NTPAE_t, NTPC - \sum_{k=2021/22}^{2025/26} NTPAE_k \right), 0 \right)$$

$$LEIP_t = \max \left(\min \left(LEIAE_t, LEIC - \sum_{t=2026/27}^{\cdot} LEIP_k \right), 0 \right)$$

$$LEIP_t = \min \left(LEIAE_t, LEIC - \sum_{t=2026/27}^{t-1} LEIP_t \right)$$

where:

NTPC means the total value of the licensee's expenditure cap for Non-Technical Mitigation Landscape Enhancement Initiative Projects for the Price Control Period set out in Appendix 1; and

NTPAE_t means the licensee's expenditure on Non-Technical Mitigation Landscape Enhancement Initiative Projects that the licensee reports to the Authority it has incurred that Regulatory Year in accordance with the licensee's Mitigating Pre-existing Infrastructure Policy required by Part C of Special Condition 3.10 (Visual Impact Mitigation Re-opener and Price Control Deliverable and Enhancing Pre-existing Infrastructure Projects allowance); and Annual Environmental Reports for the preceding year of the RII0-ET3 price control; and

~~NTPA~~~~LEIP~~_t means the licensee's expenditure on ~~Non-Technical Mitigation~~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 ~~Non-Technical Mitigation~~Landscape Enhancement Initiative Projects (NTPC_t~~LEIC~~) (£m)_t

11.6

~~Special Condition 5.5~~ Not used

~~Special Condition 5.6~~Special Condition 5.5 Not Used

~~Special Condition 5.7~~ Transmission investment for renewable generation (TIRG_t)

~~Introduction~~

~~5.7.1~~ The purpose of this condition is to calculate the term TIRG_t (the transmission investment for renewable generation term). 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).

~~5.7.2~~ The effect of this condition is to extend the RIIO-ET1 transmission investment for renewable generation funding.

5.7.3—This condition also specifies the information the licensee must provide on transmission investment projects.

Part A: ~~Part A: Calculation the TIRG revenue allowance~~

5.7.4—The value of $TIRG_t$ will be calculated in accordance with the following formula

$$TIRG_t = LTIRG_t \cdot \frac{PI_{2018/19}}{PI_t}$$

where

$LTIRG_t$ has the value of $TIRG_t$ calculated in accordance with RHO-ET1 Special Condition 3J (Transmission Investment for Renewable Generation) as in force on 31 March 2021; and

PI_t is the price index derived in accordance with Part F of Special Condition 2.1.

Part B: ~~Information to be provided to the Authority in connection with Transmission Investment for Renewable Generation~~

5.7.5—The licensee must comply with the reporting obligations specified in Special Condition 3J of this licence as in force on 31 March 2021.

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:

$$PT_t = RB_t + EDE_t + TPD_t + \cancel{SHCP_t} ESOP_t + CF_t + TSA_t + MP_t + ITA_t$$

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 ~~for each Regulatory Year, as further explained and elaborated upon~~ set in the ET2 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; ~~and~~
- $ESOP_t$ 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;
- ~~$SHCP_t$~~ MP_t means the ENS compensatory payments pass-through term in Special Condition 6.2 (Energy not supplied compensatory pass-through); 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 in the delivery of the ITA Scope 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 ~~will~~may adjust the value of RB_t by direction.

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

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.

Introduction

~~6.2.1 The purpose of this condition is to calculate the term SHCP_t (the compensatory scheme pass-through term). This contributes to the calculation of the term PT_t (the allowed pass-through term), which in turns feed into Calculated Revenue in Special Condition 2.1 (Revenue restriction).~~

~~6.2.2 The effect of this condition is to adjust the licensee's revenue to reflect payments made in accordance with the ENS Compensatory Payment Methodology.~~

~~6.2.3 This condition also places obligations on the licensee with respect to that methodology.~~

Part A:Part C: Formula for calculating the compensatory payments adjustmentNGESO Pension Transfer Costs term (SHCP_t)ESOP_t)

6.2.46.1.8 The value of SHCP_tESOP_t is derived derived in accordance with the following formula:

$$SHCP_t = (DCP_t + CCP_t)$$

$$ESOP_t = LSOIDE_t + LSOEDE_t + FSOE_t + FSOO_t$$

where:

<u>LSOIDE_t</u>	<u>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;</u>
<u>DCP_tLSOEDE_t</u>	<u>is the sum of compensatory payments made to Domestic Customers corresponding to Loss of Supply Events, as derived in accordance with paragraph 6.2.5; and 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;</u>
<u>CCP_tFSOE_t</u>	<u>is the sum of compensatory payments made to Commercial Customers corresponding to Loss of Supply Events, as derived in accordance with paragraph 6.2.6; 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</u>
<u>FSOO_t</u>	<u>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.</u>

6.1.9 The Authority may review, and by direction adjust the value of DCP_t, 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)

6.2.56.1.13 For the purposes of the principal formula, which establishes the calculation of Allowed Revenue, and subject to paragraph 6.1.615, the value of CF_t is derived in accordance with the following formula:

$$DCP_t = (DCOS_t \times DC) + (EDCOS_t \times EDC)$$

$$CF_t = (OHL_t + SuS_t + SwS_t + CoS_t + CFD_t + CFRev_t) \frac{PI_{2023/24}}{PI_t}$$

where:

~~DCOS_t~~ is the total number of Domestic Customers off supply for a period of six hours or more that are eligible for a compensatory payment under the ENS Compensatory Payment Methodology;

~~DCCF_t~~ is the compensatory payment for Domestic Customers set out in the ENS Compensatory Payment Methodology in force at the time of the Loss of Supply Event; means the community funds for transmission infrastructure introduced by the UK Government's guidance on Community funds for transmission infrastructure.¹

~~EDCOS_t~~ is the total number of Domestic Customers off supply for a period of twelve hours or more that are eligible for enhanced compensatory payment under the ENS Compensatory Payment Methodology; and

~~EDC~~ is the enhanced compensatory payment for Domestic Customers set out in the ENS Compensatory Payment Methodology in force at the time of the Loss of Supply Event.

¹ <https://assets.publishing.service.gov.uk/media/67cef18c54faabbadf916090/community-funds-for-transmission-infrastructure.pdf>

The value of CCP_t is derived in accordance with In the following formula: above for CFT,

$$CCP_t = (CCOS_t \times CC) + (ECCOS_t \times ECC)$$

where:

$CCOS_t$ is the total number of Commercial Customers off supply for a period of six hours or more that are eligible for compensatory payment under the ENS Compensatory Payment Methodology;

CC_t is the compensatory payment for Commercial Customers set out in the ENS Compensatory Payment Methodology in force at the time of the Loss of Supply Event; represents the Regulatory Year;

$ECCOS_t$ is the total number of Commercial Customers off supply for a period of twelve hours or more that are eligible for enhanced compensatory payment under the ENS Compensatory Payment Methodology; and

$ECCOHL_t$ is the enhanced compensatory payment for Commercial Customers set out in the ENS Compensatory Payment Methodology in force at the time of the Loss of Supply Event; is the allowed pass-through costs for overhead lines, given by the following formula:

Part B: ENS Compensatory Payment Methodology

6.2.6 — The licensee must have in place an ENS Compensatory Payment Methodology approved by the Authority.

6.2.7 — The ENS Compensatory Payment Methodology must set out the methodology by which the licensee will:

- (a) identify and contact eligible customers;
- (b) calculate payment amounts; and
- (c) process compensatory payments for Loss of Supply Events.

6.2.8 — The licensee must use its best endeavours to apply the ENS Compensatory Payment Methodology.

6.2.9 — 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 any revisions to the ENS Compensatory Payment Methodology as may be necessary in order to ensure that it continues to enable the identification and contacting of eligible customers, and the processing of compensatory payments.

6.2.10 — Before revising the ENS Compensatory Payment Methodology, the licensee must submit a copy of the proposed revisions to the Authority.

6.2.11 — The Authority will:

approve

$$OHL_t = \min (OHLF_t, OHLA - \sum_{t=2025/26}^{t-1} OHLF_t)$$

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:

$$CoS_t = \min (CoSF_t, CoSA - \sum_{t=2025/26}^{t-1} CoSF_t)$$

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

² expressed in 2023/24 price base

³ expressed in 2023/24 price base

⁴ expressed in 2023/24 price base

⁵ expressed in 2023/24 price base

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 6.1.2118); 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:

$$CF_t = CF_{2026/27} + (CF_{2025/26} * (1 + \text{nom}WACC_{2025/26}))$$

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 nominal 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 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 6.1.156; 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 CF_{Rev_t} for any Regulatory Year, subject to paragraph 6.1.178; 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 paragraphs 6.1.1820 the Authority will publish on the Authority's Website:

(a) the text of the proposed direction;

(a)(b) the reasons for the proposed revisions; direction; and

(b) reject the proposed revisions; or

(c) reject 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, CF_{Rev_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 6.1.156;

(b) the format for providing a full annual account of all actual costs incurred under this **Part pass-through** to the Authority in accordance with paragraph 6.1.156;

- (c) timescales for providing a full annual account of all actual costs incurred under this ~~pass-through~~Part to the Authority in accordance with paragraph 6.1.156;
- (d) the process of submitting delivery costs related to managing and delivering the ~~C~~community ~~F~~fund, in accordance with paragraph 6.1.156;
- ~~(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 6.1.167 through to 6.1.19.20.~~

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 ~~revisions~~Community Funds Pass-through Guidance;
- (b) the reasons for the proposed Community Funds Pass-through Guidance; and give recommendations as
- (c) a period during which representations on the proposed Community Funds Pass-through Guidance may be made, which will be up to alternative ~~revisions~~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 **RIO-3** 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 **final** 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 **applied followed** by the Authority to determine the load-related projects of the licensee that will be eligible for the Independent Technical Adviser;
- (b) **an outline of the process 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, as prescribed in the ITA Contract, 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 make 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 all required 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 Where requested to do so by the Authority, the licensee must not withhold or delay its agreement to enter into an ITA Contract. The licensee must, at the Authority's request, co-operate with the Authority in the development of any ITA Contract.

6.2.17 Before the Authority enters into an ITA Call-off Contract that relates to the to which the licensee is or will be a party, it the Authority must consult engage with the licensee on the proposed form of the contractual agreement that ITA Contract 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.

6.2.18 Where requested to do so by the Authority, subject to 6.2.17, 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.

6.2.19 Where the licensee enters into an ITA Call-off Contract described in paragraph 6.2.18, 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.

6.2.20 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.

6.2.21 The licensee must pay any invoice issued under paragraph 6.2.18 within 30 days of the date of that invoice.

6.2.126.2.22 Any sums paid by the licensee under paragraph 6.2.19 may be included in ITA where the Authority considers should be made that the licensee has acted cooperatively and in good faith in entering into, or attempting to enter into, an ITA Contract.

Chapter 7: Legacy adjustments

Special Condition 7.1 Legacy adjustments to revenue (LAR_t)

Introduction

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:

$$LAR_t = LPT_t + LMOD_t + LK_t + LTRU_t + NOCO_t + LSSO_t + LEDR_t + LSFI_t + LRI_t LADJ_t + LK_t$$

where:

~~$LPT_t LADJ_t$~~ is derived in accordance with Special Condition 7.2 (Legacy pass-through items); AIP Adjustment term

$LMOD_t$ has the value in sheet "SHET" of the ET2 Price Control Financial Model unless the Authority directs otherwise in accordance with Special Condition 7.3 (Legacy MOD);

LK_t is derived in accordance with Special Condition 7.4~~3~~ (Legacy K correction);~~]~~

~~$LTRU_t$~~ is derived in accordance with Special Condition 7.5 (Legacy TRU term);

~~$LSSO_t$~~ is derived in accordance with Special Condition 7.6 (Close out of the RHO-ET1 stakeholder satisfaction output);

~~$LEDR_t$~~ is derived in accordance with Special Condition 7.7 (Close out of the RHO-1 adjustment in respect of the Environmental Discretionary Reward Scheme);

~~$LSFI_t$~~ is derived in accordance with Special Condition 7.8 (Close out of the RHO-ET1 Incentive in respect of the sulphur hexafluoride (SF6) gas emissions incentive); and

~~LRI_t~~ is derived in accordance with Special Condition 7.9 (Close out of the RHO-ET1 reliability incentive in respect of energy not supplied).

~~$NOCO_t$~~ is derived in accordance with Special Condition 7.10 (Close out of RHO-1 Network Outputs);

Special Condition 7.2 Legacy pass-through items (LPT_t 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:

$$LADJ_t = ADJ_t$$

where:

ADJ_t 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.

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.

Special Condition 7.3 Legacy K correction (LK_t)

Introduction

7.2.17.3.1 The purpose of this condition is to calculate the LPT_t-term LK_t (the RII0-ET1 pass-through items close-out 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).

7.2.2 The effect of this condition is to close out certain the RII0-ET1 allowed pass-through terms, such that revenue in the Regulatory Years commencing on 1 April 2021 and 1 April 2022 reflects the specified pass-through costs

adjustments relating to the Regulatory Years commencing on 1 April 2019 and 1 April 2020 respectively.

Part A: Formula for calculating the RIIO-ET1 pass-through items (LPT_t)

7.2.3 For the Regulatory Years commencing on 1 April 2021 and 1 April 2022, the value of LPT_t is derived in accordance with the following formula:

$$LPT_t = LRB_t + LTPD_t$$

— where

LRB_t has the value of RB_t as determined in accordance with Part B of Special Condition 3B (Calculation of allowed pass-through items) of this licence as in force on 31 March 2021; and

$LTPD_t$ has the value of TPD_t as determined in accordance with Part D of Special Condition 3B (Calculation of allowed pass-through items) of this licence as in force on 31 March 2021.

7.2.4 For Regulatory Years commencing on or after 1 April 2023, the value of $LPTD_t$ is zero.

Special Condition 7.3 Legacy MOD ($LMOD_t$)

ET2 correction Introduction

7.3.1 The purpose of this condition is to set out the process the Authority will follow when directing values for the term $LMOD_t$ (the legacy MOD 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 Allowed Revenue in Special Condition 2.1 (Revenue restriction).

7.3.2 The effect of this condition is to reflect the close out of the ET1 Price Control Financial Model.

Part A: Authority Assessment and direction

7.3.3 For Regulatory Years commencing on 1 April 2021 and 1 April 2022 the value of $LMOD_t$ is derived in accordance with the following formula:

$$LMOD_t = MOD_t \cdot RPIF_t$$

— where:

MOD_t has the value directed by the Authority coinciding with the Annual Iteration Process, related to revisions to the ET1 Price Control Financial Model, performed in accordance with Chapter 8 (legacy) of the ET2 Price Control Financial Handbook; and

$RPIF_t$ has the value of $RPIF_t$ as determined in accordance with Part C of Special Condition 3A (Restriction of Transmission Network Revenue) of this licence as in force on 31 March 2021.

7.3.4 For Regulatory Years commencing on 1 April 2023, 1 April 2024, and 1 April 2025, the value of $LMOD_t$ is derived in accordance with the following formula:

$$LMOD_t = \frac{COA}{3} \cdot CWACC_t \cdot \frac{PI_t}{PI_{2018/19}}$$

where:

COA means the closeout adjustment in 2018/19 prices, and has the value directed by the Authority in accordance with Chapter 8 (Legacy) of the ET2 Price Control Financial Handbook;

$CWACC_t$ means compound WACC and has the value derived in accordance with Part B;

PI_t has the value given to it by Part F of Special Condition 2.1; and

$PI_{2018/19}$ has the value given to it by Part F of Special Condition 2.1 for the Regulatory Year commencing on 1 April 2018.

7.3.5 Before making a direction under paragraph 7.3.3 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 not be less than 28 days.

Part B: Compound WACC

7.3.6 For the Regulatory Year commencing on 1 April 2021, $CWACC_t$ has the value of 1.

7.3.7 For Regulatory Years commencing on or after 1 April 2022, $CWACC_t$ is derived in accordance with the following formula:

$$CWACC_t = \prod_{t=2021/22}^{t-1} (1 + WACC_t)$$

where:

$WACC_t$ means vanilla weighted average cost of capital, set out in accordance with the ET2 Price Control Financial Handbook.

~~Special Condition 7.4~~Special Condition 1.1 Legacy K correction (LK_t)

Introduction

~~7.4.1~~ The purpose of this condition is to calculate the term LK_t (the legacy 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 Allowed Revenue in Special Condition 2.1 (Revenue restriction).

~~7.4.2~~7.3.2 The effect of this condition is to close out the RHO ET1 correction term such that revenue in the Regulatory Year commencing on 1 April 2021 reflects the correction value relating to the Regulatory Year commencing on 1 April 2019.

Part A: Formula for calculating the legacy correction term (LK_t)

~~7.4.3~~7.3.3 For the Regulatory Year commencing on 1 April 2021, The value of LK_t is derived in accordance with the following formula:

$$LK_t = -K_t = K_t$$

—where:

K_t has the value of K as determined by the Authority in accordance with Part E of Special Condition 3A (Restriction of Transmission Network Revenue) of Chapter 8 (Legacy) of the ET3 Price Control Financial Handbook and directed by the Authority in accordance with this licence as in force on 31 March 2021~~condition~~.

~~7.3.4~~ The valueBefore making a direction under this condition the Authority will publish on the Authority's Website:

(a) the text of LK_tthe proposed direction;

(b) the reasons for Regulatory Years commencing on or after 1 April 2022the proposed direction; and

(a)(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 zeroappropriate.

~~Special Condition 7.5~~Special Condition 7.4 Legacy TRU Term (LTRU_t)net RAV additions (LRAV_t) and tax balances

Introduction

~~7.4.1~~ The purpose of this condition is to calculate the term LTRU_t (explain the process that the Authority will follow when directing opening balances for the legacy TRU term). This contributes~~net RAV additions and tax pool and tax loss~~ balances.

~~7.5.17.4.2~~ The effect is to reflect the calculation close out of the legacy adjustments term in Special Condition 7.1 (~~ET2~~ Legacy adjustments to revenue), which in turn feeds into the Allowed Revenue in Special Condition 2.1 (Revenue restriction)-Price Control Financial Model in respect of legacy net RAV additions and tax pool and tax loss balances.

~~7.5.2~~ The effect of this condition is to close out the RHO-ET1 TRU term such that revenue in the Regulatory Years commencing on 1 April 2021 to 1 April 2024 reflects TRU adjustments relating to inflation forecasts used in the Regulatory Years commencing on 1 April 2017 to 1 April 2020 respectively.

Part A: Formula for calculating The legacy TRU_t net RAV additions term (LTRU_tLRAV_t)

~~7.5.37.4.3~~ For the Regulatory Years commencing on 1 April 2021 to 1 April 2022, The Authority will determine the value of LTRU_t is derived LRAV_t in accordance with the following formula: general financial adjustment methodology in Chapter 8 of the ET3 Price Control Financial Handbook and direct the value in accordance with this condition.

$$LTRU_t = TRU_t \cdot RPIF_t$$

where

TRU_t is equivalent to TRU_t as determined in accordance with Part C of Special Condition 3A (Restriction of Transmission Network Revenue) of this licence as in force on 31 March 2021; and

RPIF_t has the value of RPIF_t as determined in accordance with Part C of Special Condition 3A (Restriction of Transmission Network Revenue) of this licence as in force on 31 March 2021.

~~7.5.4~~ For the Regulatory Years commencing on 1 April 2023 to 1 April 2024, the value of LTRU_t is derived in accordance with the following formula:

$$LTRU_t = \left[\frac{RPIA_{t-2} - RPIF_{t-2}}{RPIA_{t-2}} \right] \cdot LPVF_{t-2} \cdot LPVF_{t-1} \cdot REV_{t-2} \cdot \frac{PI_t}{PI_{2009/10}}$$

where:

RPIA_t has the value given to it by Part C of Special Condition 3A (Restriction of Transmission Network Revenue) of this licence as in force on 31 March 2021;

RPIF_t has the value of RPIF_t as determined in accordance with Part C of Special Condition 3A (Restriction of Transmission Network Revenue) of this licence as in force on 31 March 2021.

REV_{t-2}	has the value of REV_{t-2} as determined in accordance with Part C of Special Condition 3A (Restriction of Transmission Network Revenue) of this licence as in force on 31 March 2021. For this calculation the component PU (Opening Base Revenue Allowance) is zero.
$LPVF_t$	has the value derived in accordance with paragraph 7.5.5
PI_t	has the value given to it by Part F of Special Condition 2.1; and
$PI_{2009/10}$	has the value given to it by Part F of Special Condition 2.1 for the Regulatory Year commencing on 1 April 2009.

7.5.5 The value of $LPVF_t$ is derived in accordance with the following formula:

$$LPVF_t = 1 + WACC_t$$

—where:

$WACC_t$	means vanilla weighted average cost of capital, set out in accordance with the ET2 Price Control Financial Handbook.
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7.5.6 The value of $LTRU_t$ for Regulatory Years commencing on or after 1 April 2025 is zero.

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

Introduction

7.6.1 The purpose of this condition is to calculate the term LSSO_t (the RIIO-ET1 stakeholder satisfaction output close out 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 Allowed Revenue in Special Condition 2.1 (Revenue restriction).

7.6.2 The effect of this condition is to close out the RIIO-ET1 stakeholder satisfaction output, such that revenue in the Regulatory Years commencing on 1 April 2021 and 1 April 2022 reflects the licensee's performance in relation to that output in the Regulatory Years commencing on 1 April 2019 and 1 April 2020 respectively.

Part B: Carry over of tax balances

7.4.4 The Authority will determine the value of the terms OGPt, OSRPt, OSBPt, LOSBPt, ODRPt, LODRPt and OTLt 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

~~7.6.3—Before making a direction under this condition also:~~

- ~~(a) sets out the process the Authority will follow when amending the Stakeholder Engagement Reward Guidance;~~
- ~~(b) requires the licensee to maintain Key Performance Indicators until 1 April 2022; and~~
- ~~(c) requires the licensee to maintain an External Assurance Methodology and terms of reference until 1 April 2022.~~

~~Part A: Formula for calculating the RIIO-ET1 stakeholder satisfaction output close out term (LSSO_t)~~

~~7.6.4—For the Regulatory Years commencing on 1 April 2021 and on 1 April 2022, the value of LSSO_t is equal to the value of SSO_t calculated in accordance with Part A of Special Condition 3D (Stakeholder Satisfaction Output) of the RIIO-ET1 licence as in force on 31 March 2021.~~

~~7.6.5—For Regulatory Years commencing on or after 1 April 2023, the value of LSSO_t is zero.~~

~~Part B: Amendments to the Stakeholder Engagement Reward Guidance~~

~~7.6.6—The Authority will amend the Stakeholder Engagement Reward Guidance by direction.~~

~~7.6.7—Before amending the Stakeholder Engagement Reward Guidance by direction, the Authority will publish on the Authority's Website:~~

- ~~(a) the text of the amended Stakeholder Engagement Reward Guidance;~~
- ~~(b) the date on which the Authority intends the amended Stakeholder Engagement Reward Guidance to come into effect;~~
- ~~(c) the reasons for the amendments to the Stakeholder Engagement Reward Guidance; and~~
- ~~(d) a period during which representations may be made on the amendments to the Stakeholder Engagement Reward Guidance, which will not be less than 28 days.~~

~~Part C: Key Performance Indicators~~

~~7.6.8—The licensee must have in place Key Performance Indicators approved by the Authority.~~

~~7.6.9—The licensee may make revisions to its Key Performance Indicators that it considers necessary to ensure the Key Performance Indicators continue to provide an objective measure of the service provided, until and including 31 March 2022.~~

7.6.10—Before revising the Key Performance Indicators the licensee must submit to the Authority a report setting out:

- (a) the proposed revisions to its Key Performance Indicators;
- (b) details of the consultation undertaken with stakeholders on the proposed revisions;
- (c) any representations made to the licensee in respect of the Key Performance Indicators or the proposed revisions;
- (d) how the proposed revisions provide a better measure of the service provided, including an explanation of the additions or removals proposed and how these improve the Key Performance Indicators; and
- (e) a timetable for implementation of the proposed revisions.

7.6.11—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 with a date by which the licensee is required to submit those revisions.

Part D: External Assurance Methodology and terms of reference

7.6.12—The licensee must have in place an External Assurance Methodology and terms of reference approved by the Authority.

7.6.13—The licensee may make revisions to its External Assurance Methodology and terms of reference to ensure that they provide an objective measure of the inclusion of stakeholder views, until and including 31 March 2022.

7.6.14—Before revising the External Assurance Methodology and terms of reference the licensee must submit to the Authority a report setting out:

- (a) the proposed revisions to the External Assurance Methodology and terms of reference;
- (b) the details of consultation undertaken with stakeholders on the proposed revisions;
- (c) any representations made to the licensee in respect of the External Assurance Methodology and terms of reference or the proposed revisions;
- (d) how the proposed revisions provide a better assessment of the inclusion of stakeholder views, including an explanation of the revisions proposed and how these improve the assessment of stakeholder views; and
- (e) a timetable for the implementation of the proposed revisions.

7.6.15—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 which it considers should be made with a date by which the licensee is required to submit those revisions.

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

Introduction

- 7.7.1 — The purpose of this condition is to calculate the term LEDR_t (the Environmental Discretionary Reward Scheme close out 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 Allowed Revenue in Special Condition 2.1 (Revenue restriction).
- 7.7.2 — The effect of the condition is to close out the RIIO-ET1 adjustment in respect of the Environmental Discretionary Reward Scheme, such that revenue in the Regulatory Years commencing on 1 April 2021 and 1 April 2022 reflects the licensee's performance under the scheme in the Regulatory Years commencing on 1 April 2019 and 1 April 2020 respectively.
- 7.7.3 — This condition also sets out the process the Authority will follow when amending the Environmental Discretionary Reward Scheme Guidance.

Part A: Formula for calculating the Environmental Discretionary Reward Scheme close out term (LEDR_t)

- 7.7.4 — For the Regulatory Years commencing on 1 April 2021 and on 1 April 2022, the value of LEDR_t is calculated in accordance with Part B of Special Condition 3F (Adjustment in Respect of the Environmental Discretionary Reward Scheme) of this licence as in force on 31 March 2021.
- 7.7.5 — For Regulatory Years commencing on or after 1 April 2023, the value of LEDR_t is zero.

Part B: Amendments to the Environmental Discretionary Reward Scheme Guidance

- 7.7.6 — The Authority will amend the Environmental Discretionary Reward Scheme Guidance by direction.
- ~~7.7.7~~ 7.7.4.5 — Before amending the Environmental Discretionary Reward Scheme Guidance by direction, the Authority will publish on the Authority's Website:
- (a) the text of the amended Environmental Discretionary Reward Scheme Guidance proposed direction;
 - (b) the date on which the Authority intends the amended Environmental Discretionary Reward Scheme Guidance to come into effect;

- (c)(b) _____ the reasons for the amendments to the Environmental Discretionary Reward Scheme Guidance proposed direction; and
- (d) a period during which representations may be made on the amendments to the Environmental Discretionary Reward Scheme Guidance, which will not be less than 28 days.

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

~~Introduction~~

7.8.1 — The purpose of this condition is to calculate the term LSFI_t (the RIIO-ET1 sulphur hexafluoride incentive close-out 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 Allowed Revenue in Special Condition 2.1 (Revenue restriction).

7.8.2 — The effect of this condition is to close out the RIIO-ET1 incentive in respect of sulphur hexafluoride gas emissions, such that revenue in the Regulatory Years commencing on 1 April 2021 and 1 April 2022 reflects the licensee's performance under that incentive in the Regulatory Years commencing on 1 April 2019 and on 1 April 2020 respectively.

~~Part A: Formula for calculating the RIIO-ET1 sulphur hexafluoride incentive close-out term (LSFI_t)~~

7.8.3 — For the Regulatory Years commencing on 1 April 2021 and on 1 April 2022, the value of LSFI_t is equal to the value of SFI_t calculated in accordance with Part A of Special Condition 3E (Incentive in Respect of Sulphur Hexafluoride (SF6) Gas Emissions) of this licence as in force on 31 March 2021.

7.8.4 — For the Regulatory Years commencing on or after 1 April 2023, the value of LSFI_t is zero.

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

~~Introduction~~

7.9.1 — The purpose of this condition is to calculate the LRI_t term (the RIIO-ET1 reliability incentive close-out 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 Allowed Revenue in Special Condition 2.1 (Revenue restriction).

7.9.2 — The effect of this condition is to close out the RIIO-ET1 reliability incentive in respect of energy not supplied, such that revenue in the Regulatory Years commencing on 1 April 2021 and on 1 April 2022 reflects the licensee's

performance under that incentive in the Regulatory Years commencing on 1 April 2019 and on 1 April 2020 respectively.

Part A: Formula for calculating the RIIO-ET1 reliability incentive close-out term (LRI_t)

7.9.3—For the Regulatory Years commencing 1 April 2021 and 1 April 2022, the value of LRI_t is equal to the value of RI_t calculated in accordance with Part A of Special Condition 3C (Reliability Incentive Adjustment in Respect of Energy Not Supplied) as in force on 31 March 2021.

7.9.4—For the Regulatory Years commencing on or after 1 April 2023, the value of LRI is zero.

Special Condition 7.10 Close out of RIIO-1 Network Outputs ($NOCO_t$)

Introduction

7.10.1—The purpose of this condition is to set out the process for deciding the term $NOCO_t$ (the RIIO-1 Network Outputs close out 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 Allowed Revenue in Special Condition 2.1 (Revenue restriction).

7.10.2—The effect of this condition is to adjust the licensee's revenue to reflect its RIIO-1 Network Outputs delivery.

Part A: RIIO-1 Network Outputs information to be provided by the licensee

7.10.3—By 31 July 2021, or such later date directed by the Authority, the licensee must provide to the Authority a report consistent with the requirements of the NOMs Incentive Methodology which sets out why it considers that it has delivered:

- (a) any RIIO-1 Network Output in accordance with the relevant specifications; and
- (b) any RIIO-1 Materially Equivalent Outputs.

7.10.4—By 1 December 2021, or such later date directed by the Authority, the licensee must provide to the Authority a report consistent with the requirements of the NOMs Incentive Methodology which sets out why it considers that it has delivered:

- (a) any RIIO-1 Justified Material Over-delivery; or
- (b) any RIIO-1 Justified Material Under-delivery.

Part B: Process for modifying the NOMs Incentive Methodology

7.10.5—The Authority will modify the NOMs Incentive Methodology by direction.

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

~~(a) the text of the proposed direction;~~

~~(b)(a) the reasons for the proposed direction; and~~

~~(c) a period during which representations on the proposed direction may be made, which will not be less than up to 28 days.~~

Part C: Process for directing unless the RIIO-1 Network Outputs close out term (NOCO_t)

7.10.7—The Authority will assess the licensee's RIIO-1 Network Outputs delivery in accordance with the principles in Appendix 1, which are further clarified and supplemented by the NOMs Incentive Methodology.

7.10.8—Before directing the value of NOCO_t, 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) determines that a longer period during which representations may be made on the proposed direction, which will not be less than 56 days.~~

Appendix 1

~~Treatment of under-delivery and over-delivery of RIIO-1 Network Outputs~~

Incentives

Over-delivery

Justified

Cost of over-delivery will be included in the licensee's revenue.

The financing cost incurred by the licensee in advancing investment will be reimbursed.

Reward of 2.5 per cent of the additional costs associated with the material over-delivery.

Under-delivery

Cost of under-delivery will be excluded from the licensee's revenue.

The licensee will benefit from the financing cost of delayed investment.

Unjustified

Cost of over-delivery will be included in the licensee's revenue.

The licensee will incur the financing cost of earlier investment.

Cost of under-delivery will be excluded from the licensee's revenue.

The benefit arising to the licensee from the financing cost of delayed investment will be clawed back.

Penalty of 2.5 per cent of the avoided costs

associated with the
material under delivery.

Special Condition 7.11 RIIO-ET1 network innovation competition

is Introduction

7.11.1 The NIC ran during the RIIO-ET1 price control period to fund innovative low carbon or environmental projects. Although it will no longer run for the licensee from 1 April 2021, this condition makes provision for arrangements relating to the regulation, administration and governance of NIC Funding.

7.11.2 Parts A and D are supplemented by the relevant provisions of the NIC Governance Document.

Part A: The Funding Return Mechanism

7.11.3 The Authority may direct how Returned Project Revenues should be paid to customers through the Funding Return Mechanism, or where the Authority considers it to be appropriate, how they should be retained by the licensee.

(c) In each Regulatory Year, in accordance with the appropriate provisions of the NIC.

Chapter 8: Governance

~~7.11.4—Governance Document, the Authority will calculate and then, by direction given to the licensee, specify:~~

- ~~(a) the amount of any Funding Return that the licensee must pay to the ISOP; and~~
- ~~(b) the manner in which and the timescale over which the licensee must pay that amount.~~

~~Part B: The NIC Governance Document~~

~~7.11.5—The licensee must comply with the NIC Governance Document.~~

~~7.11.6—The Authority will amend the NIC Governance Document by direction.~~

~~7.11.7—The Authority will publish the NIC Governance Document on the Authority's Website.~~

~~7.11.8—The NIC Governance Document makes and will continue to make provision about:~~

- ~~(a) the process and procedures that will be in place for the assessment, approval and financing of project funding (where necessary);~~
- ~~(b) arrangements to ensure that relevant matters the licensee learned from the implementation of Eligible NIC Projects can be captured and disseminated by the licensee to other Transmission Licensees and holders of Distribution Licences and the ISOP;~~
- ~~(c) 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 NIC Governance Document);~~
- ~~(d) arrangements relating to the treatment of intellectual property rights including Returned Royalty Income in respect of Eligible NIC Projects; and~~
- ~~(e) any other matters relating to the governance of the NIC.~~

~~Part C: Procedure for amending the NIC Governance Document~~

~~7.11.9—Before amending the NIC Governance Document by direction, the Authority will publish on the Authority's Website:~~

- ~~(a) the text of the amended NIC Governance Document;~~
- ~~(b) the date on which the Authority intends the amended NIC Governance Document to come into effect;~~
- ~~(c) the reasons for the amendments to the NIC Governance Document; and~~
- ~~(d) a period during which representations may be made on the amendments to the NIC Governance Document, which will not be less than 28 days.~~

Part D: Successful Delivery Reward

~~7.11.10 The Authority may direct that the ISOP pay the licensee a Successful Delivery Reward, in accordance with the provisions of the NIC Governance Document.~~

Special Condition 7.12 Legacy net RAV additions (LRAV_t)

Introduction

~~7.12.1 This condition explains the process the Authority will follow when directing values for the term LRAV_t (the legacy RHO-1 net RAV additions term). This contributes to the calculation of the term DPN_t (the depreciation term as calculated by the ET2 Price Control Financial Model), which in turn feeds into the Calculated Revenue in Special Condition 2.1 (Revenue restriction).~~

~~7.12.2 The effect is to reflect the close out of the RHO-ET1 Price Control Financial Model, in respect of legacy net RAV additions.~~

Part A: Authority assessment and direction

~~7.12.3 The Authority will direct revisions to LRAV_t, coinciding with the Annual Iteration Process and following implementation of closeout methodologies set out in the ET2 Price Control Financial Handbook.~~

~~7.12.41.1.1 Before making a direction under paragraph 7.12.3 the Authority will publish on the Authority's Website:~~

~~(a) the text of the proposed direction;~~

~~(b)(a) the reasons for the proposed direction; and~~

~~(c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.~~

Chapter 8: Governance

Special Condition 8.1 Governance of the ~~ET2~~ET3 Price Control Financial Instruments

Introduction

8.1.1 The purpose of this condition is to establish:

- (a) the ~~ET2~~ET3 Price Control Financial Instruments; and
- (b) a robust and transparent change control framework for the ~~ET2~~ET3 Price Control Financial Instruments;

Part A: The ~~ET2~~ET3 Price Control Financial Instruments

8.1.2 Each of the following ~~ET2~~ET3 Price Control Financial Instruments forms part of this condition:

- (a) the ~~ET2~~ET3 Price Control Financial Handbook; and
- (b) the ~~ET2~~ET3 Price Control Financial Model.

Part B: Modification of the ~~ET2~~ET3 Price Control Financial Instruments

8.1.3 The Authority may ~~directly~~ by direction make modifications to the ~~ET2~~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 ~~ET2~~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~~ licensee's right to make representations to the Authority that a particular modification will have an impact on the ~~licensee's~~ licensee's Allowed Revenue.

8.1.5 The following categories of ~~modifications~~ 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 of this ~~licence~~ such as the addition or removal of PCFM Variable Values; and

(e) correction of manifest errors; such as discrepancies between the ~~ET2~~ET3 Price Control Financial Instruments and between the ~~ET2~~ET3 Price Control Financial Instruments and the other special conditions of this licence.

8.1.6 ~~Circumstances in which~~The following do not constitute a modification may be made 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 ~~C~~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~~consider any views expressed and representations made by the ~~ET2~~ET3 Price Control Financial Model Working Group in relation to modifications of the type set out in ~~paragraphs~~paragraph 8.1.5(a) to (e); 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 ~~not be less than~~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 ~~ET2~~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 C:Part D: Availability and updating of ~~ET2~~ET3 Price Control Financial Instruments

8.1.9 ~~This Part has effect in relation to~~The Authority will maintain on the publication and availability~~Authority's Website an up-to- date copy of the ET2~~ET3 Price Control Financial ~~Handbook, and~~Instruments throughout the ET2-Price Control Financial ModelPeriod.

8.1.10 The Authority will ensure that any modifications of the ~~ET2~~ET3 Price Control Financial Instruments, whether under Part B of this condition or otherwise, are promptly incorporated into a consolidated version ~~of the ET2 Price Control Financial Instruments~~ maintained on the Authority's Website.

~~8.1.11 Without limiting the general effect of paragraph 8.1.9, the Authority will, by no later than 30 November prior to each Regulatory Year:~~

- (a) ~~publish on the Authority's Website, the version of the ET2 Price Control Financial Model that will be used to calculate the value of the terms $ADJR_t$ and AR_t in accordance with the calculation set out in Part C of Special Condition 2.1 (Revenue restriction), ahead of each Annual Iteration Process; and,~~
- (b) ~~publish on the Authority's Website, the version of the ET2 Price Control Financial Model used to calculate and publish the value of the term AR_t in accordance with the calculation set out in Part C of Special Condition 2.1 (Revenue restriction), following each Annual Iteration Process, by no later than 31 January prior to each Regulatory Year.~~

8.1.12 ~~The first Regulatory Year in which The Authority will publish on the Authority's Website a consolidated version of the ~~ET2~~ET3 Price Control Financial Model on containing the Authority's Website updated value of AR_t for all Transmission Owners following the purposes licensee's annual publication of paragraph 8.1.11 will be Regulatory Year 2021/22 and the last Regulatory Year will be 2024/25.~~

Special Condition 8.2 Annual Iteration Process for the ~~ET2~~ET3 Price Control Financial Model

Introduction

- 8.2.1 ~~The purpose of this condition is to set out the steps of the Annual Iteration Process that will be carried out by the licensee and the Authority each year in relation to the ET2 Price Control Financial Model, in order to calculate and publish the value of the terms $ADJR_t$ and AR_t in accordance with Special Condition 2.1 (Revenue restriction).~~
- 8.2.2 ~~This condition also explains the process the Authority will follow in issuing and amending the PCFM Guidance.~~

Part A: Steps comprising the Annual Iteration Process

- 8.2.3 ~~The paragraphs in this Part set out the steps that comprise the Annual Iteration Process.~~
- 8.2.4 ~~Step 1: The licensee must, by 30 September prior to each Regulatory Year:

 - (a) use the version of the ET2 Price Control Financial Model published by the Authority in accordance with paragraph 8.1.10a to complete the PCFM Variable Values table with the PCFM Variable Values in accordance with the PCFM Guidance;
 - (b) run the macro on the "User Interface" sheet of the ET2 Price Control Financial Model to calculate the value of the term $ADJR_t$ and AR_t ;
 - (c) save the ET2 Price Control Financial Model; and
 - (d) submit the ET2 Price Control Financial Model to the Authority.~~

8.2.5—Step 2: The Authority will, taking into account any decisions made by it in relation to PCFM Variable Values under Chapters 2 to 7 of this licence:

- (a) review the ET2 Price Control Financial Model submitted by the licensee and confirm or amend any PCFM Variable Values; or
- (b) where the licensee has not complied with Step 1, complete the PCFM Variable Values table.

8.2.6—Step 3: The Authority will run the macro on the “UserInterface” sheet of the ET2 Price Control Financial Model to calculate the value of the term $ADJR_t$ and AR_t .

8.2.7—Step 4: The Authority will publish the value of the term $ADJR_t$ and AR_t on the Authority's Website in accordance with Part B.

8.2.8—In relation to Step 1 in paragraph 8.2.4:

- (a) where a PCFM Variable Value is not known at the time of submission, the licensee must calculate that value in accordance with the ET2 Price Control Financial Handbook or the PCFM Guidance, as applicable and otherwise provide its best estimate using the information available at the time; and
- (b) where any PCFM Variable Value relies on a third-party publication that ceases to be published or no longer contains the value required, the value from the most recent publication that did contain the value, or an alternate input agreed to by the Authority must be used.

Part B: Publication of the value of the terms $ADJR_t$ and AR_t

8.2.9—The value of the terms $ADJR_t$ and AR_t will be published by the Authority no later than 31 January prior to each Regulatory Year.

8.2.10—Before publishing the value of the terms $ADJR_t$ and AR_t , the Authority will:

- (a) send to the licensee:
- (b) a notice stating the value of the terms $ADJR_t$ and AR_t that it proposes to publish; and
- (c) a copy of the ET2 Price Control Financial Model, which will contain the data used to calculate the value proposed for the terms $ADJR_t$ and AR_t ; and
- (d) specify a period during which representations may be made on the value of the terms $ADJR_t$ and AR_t , which will not be less than 14 days.

Part C: What if the Annual Iteration Process is not completed by 31 January?

8.2.11—If the Authority does not publish a value for the terms $ADJR_t$ and AR_t by 31 January prior to any Regulatory Year, then the Annual Iteration Process will not have been completed and the provisions set out in paragraphs 8.2.12 and 8.2.13 will apply.

8.2.12—The Authority will complete the Annual Iteration Process as soon as is reasonably practicable after 31 January by publishing a value for the terms $ADJR_t$ and AR_t .

~~8.2.13—In the intervening period (Between the 31 January and the date on which the value of the terms AR_t is published under paragraph 8.2.12), the value of the terms $ADJR_t$ and AR_t will be held to be equal to a value ascertained by:~~

~~8.2.148.1.11 taking a copy of the ET2 Price Control Financial Model in its state following the last completed Annual Iteration Process which, for the avoidance of doubt, will exclude the effect of any functional modifications under paragraph 8.1.5 of Special Condition 8.1 (Governance of the ET2 Price Control Financial Instruments) made after the completion of that Annual Iteration Process); 2.1 (Revenue restriction).~~

~~(a) using the selection facilities on the “UserInterface” sheet contained in that copy of the ET2 Price Control Financial Model to select:~~

~~(b) the name of the licensee; and~~

~~(c) the Regulatory Year equating to the Regulatory Year t ;~~

~~(d) pressing the “Run for One” macro button on the “UserInterface” sheet; and~~

~~(e) recording the value of the terms $ADJR_t$ and AR_t for the licensee that is shown as an output value of the “SavedResults” sheet.~~

Part D: The final year of the ET2 Annual Iteration Process and other clarifications

~~8.2.15—The last Regulatory Year in which there will be an Annual Iteration Process for the ET2 Price Control Financial Model is 2024/2025 for the purpose of determining the value of the terms $ADJR_t$ and AR_t for Regulatory Year 2025/26.~~

~~8.2.16—For the avoidance of doubt, neither:~~

~~(a) an Annual Iteration Process for the ET2 Price Control Financial Model carried out in accordance with this condition, including in particular the steps set out in Part A; nor~~

~~(b) a change to the Regulatory Year included in the name of and text within the ET2 Price Control Financial Model,~~

~~will constitute a modification of the ET2 Price Control Financial Model within the meaning of Part C of Special Condition 8.1.~~

~~8.2.17—Where any PCFM Variable Values are revised for years earlier than Regulatory Year t , the effect of using those revised values in the Annual Iteration Process will, subject to a Time Value of Money Adjustment, be reflected in the calculation of the value of the terms $ADJR_t$ and AR_t for Regulatory Year t and, for the avoidance of doubt, it will not have any retrospective effect on a previously published value of the term $ADJR_t$.~~

Part E: The PCFM Guidance

~~8.2.18—The licensee must comply with the PCFM Guidance when completing the Annual Iteration Process.~~

~~8.2.19—The Authority will issue and amend the PCFM Guidance by direction.~~

~~8.2.20—The Authority will publish the PCFM Guidance on the Authority's Website by the PCFM functional change cut-off date set out in the ET2 Price Control Financial Handbook.~~

~~8.2.21—The PCFM Guidance will make provision about:~~

- ~~(a) instructions and guidance on how to populate the PCFM Variable Values for submission for an Annual Iteration Process;~~
- ~~(b) instructions and guidance on the process and timeframe for reporting and submitting the required data; and~~
- ~~(c) any requirements for supporting information, documentation or commentary that are to be submitted.~~

~~8.2.22—Before issuing the PCFM Guidance by direction, the Authority will publish on the Authority's Website:~~

- ~~(a) the text of the proposed PCFM Guidance;~~
- ~~(b) the date on which the Authority intends the PCFM Guidance to come into effect; and~~
- ~~(c) a period during which representations may be made on the content of the PCFM Guidance, which will not be less than 28 days.~~

~~8.2.23—Before amending the PCFM Guidance by direction, the Authority will publish on the Authority's Website:~~

- ~~(a) the text of the proposed amended PCFM Guidance;~~
- ~~(b) the date on which the Authority intends the amended PCFM Guidance to come into effect;~~
- ~~(c) the reasons for the amendments to the PCFM Guidance; and~~
- ~~(d) a period during which representations may be made on the amendments to the PCFM Guidance, which will not be less than 28 days.~~

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, ~~which,~~
- ~~9.1.3~~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

- ~~9.1.4~~9.1.5 The licensee must prepare an Annual Environmental Report in accordance with the Environmental Reporting Guidance.
- ~~9.1.5~~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.
- ~~9.1.6~~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** KPI 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

- ~~9.1.7~~9.1.10 The Authority will issue and amend the Environmental Reporting Guidance by direction.
- ~~9.1.8~~9.1.11 The Authority will publish the Environmental Reporting Guidance on the Authority's Website.
- ~~9.1.9~~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; ~~and~~
- (c) ~~the format for submitting information to the Authority~~ as required under paragraphs 9.1.8 and 9.1.9; and
- ~~(c)~~(d) ~~the environmental impacts, relevant Environmental Action Plan Commitments, business practices, existing obligations and activities that must be covered in the Annual Environmental Report.~~

~~9.1.10~~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 ~~not be less than 28 days~~ be up to 28 days unless the Authority determines that a longer period is appropriate.

~~9.1.11~~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 ~~amended~~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 ~~next~~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 ~~not be less than~~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 ~~The purpose of~~ This condition ~~is to set~~sets out:

- (a) the requirements on the licensee in respect of the NARM Methodology;
- ~~(b) It also sets out 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 develop produce an Engineering Guidance Document.~~
- ~~(g) the requirements on the licensee to work with all other Transmission Owners to develop a common the ET NARM Methodology;~~
- ~~(h) the requirements on the licensee to submit the common ET NARM Methodology for approval Authority approval, modification or direction of the ET NARM Methodology;~~
- ~~(i) the requirements on the licensee to take steps towards implementing the common 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 NOMs NARM Methodology in effect on 31 March 2021 which is approved by the Authority and effective from 01 April 2026 is deemed to be the NARM Methodology in effect from 1 April 2021 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 ~~Output~~ 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: ~~Modification~~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 9.2.98(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 9.2.98(a) or (b) by such date as may be set out in that direction.

9.2.11 Before issuing a direction under paragraph 9.2.98, 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 ~~not be less than 28 days~~ 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 ~~a plan (the “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 by 1 April 2028 which includes must;~~

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.

The Authority, after reviewing the Information Gathering Plan submitted to it under 9.2.17 and 9.2.19 and having consulted the licensee and any other interested parties that the Authority considers it appropriate to consult, may:

(c) ~~approve the plan without modification if satisfied that it complies with the provisions set out in 9.2.18 or 9.2.19; or~~

(d) ~~direct the licensee to modify the Information Gathering Plan, 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, having considered any representations received, enable the licensee to so report.~~

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.

(a) keep the Information Gathering Plan under review and in particular must conduct a review when directed to do so by the Authority, and

(b) modify the Information Gathering Plan, where necessary to ensure that it complies with the requirements of paragraph 9.2.18 and 9.2.19 where relevant.

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 and key 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 for regulatory approval by no later than 12 weeks after the Authority's:

(a) approval or direction of the ET Electricity Transmission Common 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 and data inputs 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.

The Authority, after reviewing the ET Engineering Guidance Document submitted to it under paragraph 9.2.23 and having consulted the licensee and any other interested parties that the Authority considers it appropriate to consult, may:

(d) approve the ET Engineering Guidance Document without modification if it is satisfied that it facilitates the objectives set out in paragraph 9.2.24; or

(e) direct the licensees to modify the ET Engineering Guidance Document, 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, having considered any representations received, facilitates the objectives set out in paragraph 9.2.24.

9.2.25 The licensee must keep the Engineering Guidance Document under review, at least once every year, review the ET Engineering Guidance Document to identify scope for modifications and where necessary modify it, subject to the Authority's consent, to ensure that it continues to meet the objectives set out in paragraph 9.3.24 9.2.24.

Part G: Requirement to develop a common 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 this 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) ensure that asset data systems which support the ET NARM Methodology are in place by 01 April 2027; 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: Submission of the common NARM Methodology for approval Authority approval, modification or direction of the ET NARM Methodology

9.2.30 Where the ET NARM Methodology has been submitted to the Authority by 01 April 2028 under paragraph 9.2.28 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 9.2.29 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 9.2.299.2.28, 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 by 1 April 2028 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 9.2.299.2.28, the Authority may, by direction to the licensee and other Transmission Owners, and no later than 1 April 2029, designate an direct that the licensee complies with an ET NARM Methodology that in the Authority's opinion complies with those provisions.

A direction issued by the Authority under paragraph 9.2.31 or 9.2.32 will be of no effect unless, before issuing it, the Authority has:

(a) by Nnotice to all Transmission Owners set out the text of the ET NARM Methodology that it proposes to direct or designate (as appropriate);

(b) specified in the Nnotice the reasons for the Authority's proposals;

(c) specified in the Nnotice the date from which it proposes that the provisions of the document should take effect;

(d) specified in the Nnotice the period (which may not be less than 28 days from the date of the Nnotice) within which the licensee may make representations to the Authority about its proposals; and

(e) considered any representations duly received in response to the Nnotice.

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 commonET NARM Methodology in the subsequent price control period

9.2.33 The licensee must:

(a) collect inspection-asset condition data for each individual asset included within the ET NARM Methodology when the supporting asset data systems have come into effect; and

~~collect this data in a manner that enables the facilitation of the subsequent price control review.~~

~~(b) The licensee must develop and maintain its own methodology for implementation of the ET NARM Methodology using its own asset information, in the subsequent price control which must:~~

~~(c) enable the licensee, in the subsequent price control, to:~~

~~i. assess its NARM assets against the Network Asset Risk Metric;~~

~~ii. report in accordance with the RIGs;~~

~~iii. assess its performance against the Baseline Network Risk Output; and~~

~~(d) be consistent with the ET NARM Methodology.~~

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 Price Control Deliverable (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 ~~to adjust allowances where an Evaluative PCD has not been Fully Delivered 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 ~~are~~ is attributable to Efficiency or Innovation, the Authority will not make any adjustment to the associated allowance;

~~(b) where an~~ 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 licensee provides a justified estimate of 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;

~~(b)~~(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;

~~(c)~~(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;

~~(d)~~(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 licensee provides a justified estimate of ~~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 ~~an~~ a downwards adjustment to the associated allowances only in accordance with the following formula:

$$\text{Adjustment to allowances} = ((1 - \text{proportion of output or Consumer Outcome delivered}) * \text{associated allowance})$$

~~(e)~~(f) where none of the circumstances described in sub-paragraphs ~~(b) 9.3.3 (a) to (d) apply~~ 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 Deliver~~ 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;

~~(f)~~(g) the Authority will not direct an increase to allowances for an Evaluative PCD that has not been Fully Delivered; or Fully Delivered With An Alternative Specification in accordance with 9.3.3 (b); 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):

~~(g)~~(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

~~(h)~~(i) the split between fast money and the RAV for any adjustments will be as set out in the ~~ET2~~ET3 Price Control Financial Model.

Part B: Reporting Requirements~~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 **output** 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 ~~not be less than 28 days~~ 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 ~~not be less than 28 days~~ 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~~ is purpose of this condition ~~requires~~ is to require the licensee to prepare any applications for ~~Re~~ 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~~ Re-openers in accordance with ~~any~~ 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

~~(a)~~(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

~~(b)~~ when it is appropriate to make redactions in published applications; ~~and~~

~~i.iv. any requirement for assurance.~~

~~9.4.6~~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 ~~not be less than~~ up to 28 days: unless the Authority determines that a longer period is appropriate.

~~9.4.7~~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 ~~not be less than 28 days~~ 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 the 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 ~~2022~~2028.
- 9.5.4 The licensee must review the progress it has made against its Digitalisation Strategy, and update its Digitalisation Strategy ~~at intervals specified in the DSAP Guidance.~~ 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 ~~2021~~2026.
- 9.5.7 The licensee must review the progress it has made against and update its Digitalisation Action Plan ~~at intervals specified in the DSAP Guidance.~~ least once every 6 months after 30 June 2026.
- 9.5.8 The licensee must:
- (a) publish its Digitalisation Action Plan, and ~~each update~~ 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 ~~not be less than~~ 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 ~~not be less than 28 days~~ 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, if 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 ~~circumstance~~circumstances described in Part D; or
 - (b) in the ~~circumstance~~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 ~~circumstance~~circumstances referred to in paragraph 9.6.9(a) ~~is~~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 ~~circumstance~~circumstances referred to in paragraph 9.6.9(b) ~~is~~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 they~~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 ~~Activities~~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);
- ~~(a) Network Charges, under the provisions of Special Condition 2.1 (Revenue restriction); and~~
- ~~(b) charges arising from any activity carried out under the provisions of Special Condition 7.11 (RHO-ET1 network innovation competition) which results in Returned Royalty Income for the licensee.~~

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) ~~Network Innovation Funding: Payments made by the ISOP to the licensee in respect of NIC funding in accordance with Special Condition 7.11 (RIIO-ET1 network innovation competition).~~
- ~~(j) DRS10. DRS10. Value Added Services: (Not applicable to Electricity Transmission)~~
- ~~(k)(j)~~ DRS11. Top-up, standby, and enhanced system security: (Not applicable to Electricity Transmission)
- ~~(l)(k)~~ DRS12 ~~DRS11~~. Revenue protection services: (Not applicable to Electricity Transmission)
- ~~(m)(l)~~ DRS13 ~~DRS12~~. Metering Services: (Not applicable to Electricity Transmission)
- ~~(n)(m)~~ DRS13 ~~DRS14~~. Smart Meter Roll-out rechargeable services: (Not applicable to Electricity Transmission)
- ~~(o)(n)~~ DRS15 ~~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 ~~consider~~ 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 ~~send~~submit to the Authority an annual Tax Reconciliation assurance statement ~~in relation to the Tax Reconciliation template~~ 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 ~~starting on or after 01 April 2023~~, ~~send~~submit to the Authority ~~an~~ Tax Reconciliation assurance statement, relating to ~~the~~ 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 9.898 (Tax Reconciliation assurance statement), the directors of [licensee] ~~(["the licensee"])~~ hereby certify that for the Regulatory Year [Regulatory Year t-2],

~~9.8.3~~—in their opinion:

- (a) ~~the~~ values reported in the Tax Reconciliation ~~template~~ 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 (SAO2) certificate ~~as per (b)i;~~ and (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 ~~also~~ been provided to support and explain reconciling items in accordance with the ~~[RHO-23]~~ 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 ~~ET2~~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~~9.8.2 of Special Condition ~~9.8.2~~9.8 (Tax Reconciliation assurance statement), the Directors of [licensee] (~~"the licensee"~~) hereby certify that for the Regulatory Year [Regulatory Year t-2],

~~9.8.6~~—in their opinion:

- (a) ~~the values reported in the Tax Reconciliation template have resulted in a material, unexplained variance in the reconciliation of the licensee's adjusted Actual Corporation Tax Liability as shown in the Company Tax Return (CT600) to the adjusted Calculated Tax Allowance;~~
- (b) ~~the Tax Reconciliation has been~~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 (SAO2) certificate as per (b); and~~(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].
- ~~(f)(g)~~(g) ~~where appropriate, further information has also been provided to support and explain reconciling items in accordance with the [RIIO-23] Regulatory Financial Performance Reporting RIGS;~~
- ~~(g)(h)~~(h) ~~all adjustments made have been appropriately explained in the Tax Reconciliation supporting commentary, however there remain unexplained differences, which are considered material; and~~

~~(h)~~(i) _____ a notification has been given in writing to the Authority under Chapter 6 of the ~~ET2~~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:

- ~~(a) co-ordinate or direct the flow of electricity onto or over the whole or any part of the National Electricity Transmission System except:~~
 - ~~i. where permitted to do so under the STC,~~
 - ~~ii. with the written approval of the Authority, or~~
 - ~~iii. where required to do so by any other licence condition; and~~

~~9.9.4~~9.9.3_____, outside its Transmission Area, ~~make available~~obtain or obtain access to any assets comprising part of the National Electricity Transmission System which are intended for the purpose of conveying ~~or affecting the flow of~~ 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 9.10.1 to 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 9.10.10.8, 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 9.10.10.10 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 TSP_t $TSHET_t$ 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 TSP_t $TSHET_t$ term.

9.11.3 TSP_t $TSHET_t$ 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 TSP_t $TSHET_t$, 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 TSP_t $TSHET_t$ 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 TSP_t $TSHET_t$ 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 Changes.

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 Restriction on the use of certain information

Introduction

- 9.14.1 This condition sets out restrictions on the use of Confidential Information.

Part A: Requirements for treatment of Confidential Information

- 9.14.2 The licensee (including its Affiliates and Related Undertakings) must not disclose or authorise access to Confidential Information except as provided for in Part B.

Part B: Circumstances under which the licensee can disclose Confidential Information

9.14.3 The licensee (including its Affiliates and Related Undertakings) may disclose or authorise access to Confidential Information insofar as is necessary or appropriate in the circumstances where:

- (a) paragraphs 9.16.9 to 9.16.12 of Special Condition 9.16 (Independence of and appointment of managing director of the Transmission Business) apply;
- (b) the information is only used for the purpose of the Transmission Business or any External Transmission Activities of the licensees, and effective arrangements are in place at all times for ensuring no further disclosure occurs;
- (c) disclosure of the information is required or permitted by:
 - i. any requirement of a Competent Authority;
 - ii. the standard 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. any court or tribunal order;
 - iv. the performance of a statutory function; or
 - v. under the rules of the Electricity Arbitration Association or another arbitral body;
- (d) the licensee has been notified by the person who provided the information or by all persons to whom it relates that the information need not be treated as confidential;
- (e) the licensee makes public information which;
 - i. is not provided by another person;~~or~~
 - ii. does not relate to another person; or
 - iii. disclosure or use of, or access to, the information is required or permitted by Special Condition ~~9.21~~ **9.20** (Tender Support Activities in Onshore Electricity Transmission) or Special Condition ~~9.22~~ **9.21** (Conflict Mitigation Arrangements for Onshore Transmission Tender Exercise).

Special Condition 9.15 Appointment of a Compliance Officer

Introduction

9.15.1 The purpose of this condition is to set out requirements on the licensee to:

- (a) prepare a Compliance Statement;
- (b) appoint a Compliance Officer; and
- (c) prepare a Compliance Report.

Part A: Compliance Statement

- 9.15.2 The licensee must prepare a Compliance Statement that:
- (a) is in a form approved by the Authority; and
 - (b) sets out the practices, procedures and systems which the licensee has adopted (or intends to adopt) to ensure its compliance with the Relevant Duties.
- 9.15.3 The licensee:
- (a) must review the Compliance Statement at least once in each Regulatory Year to ensure that it continues to be accurate; and
 - (b) may, with the approval of the Authority, modify the Compliance Statement.
- 9.15.4 The licensee must send a copy of the Compliance Statement, and of each modification under paragraph 9.15.3(b), to the Authority.

Part B: Appointment of the Compliance Officer

- 9.15.5 The licensee must appoint a Compliance Officer, who must be approved by the Authority before appointment.
- 9.15.6 The licensee must arrange for the Compliance Officer to perform such functions as the licensee considers appropriate for the purposes of compliance with the Relevant Duties, including the functions set out at paragraph 9.15.9.
- 9.15.7 The licensee must, provide the Compliance Officer with the resources reasonably required for the fulfilment of the functions, including:
- (a) staff, premises, equipment, facilities and other resources; and
 - (b) access to the licensee's premises, systems, information and documentation.
- 9.15.8 The licensee must make available to the Compliance Officer a copy of any complaint or representation received in relation to any of the practices, procedures and systems adopted by the licensee in accordance with the Compliance Statement.
- 9.15.9 The functions assigned to the Compliance Officer must include:
- (a) providing relevant advice and information to the licensee for the purpose of ensuring its compliance with the Relevant Duties;
 - (b) monitoring the effectiveness of the practices, procedures and systems adopted by the licensee in accordance with the Compliance Statement;
 - (c) investigating any complaint or representation made available in accordance with paragraph 9.15.8;
 - (d) recommending and advising upon the remedial action which any such investigation has demonstrated to be necessary or desirable;
 - (e) providing relevant advice and information to the licensee for the purpose of ensuring its effective 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 (d); and
- iii. reporting annually to the directors of the licensee - in respect of each Regulatory Year - as to their activities during the period covered by the report, including the fulfilment of the other duties and tasks assigned to them by the licensee.

Part C: Compliance Report

9.15.10 As soon as is reasonably practicable following each annual report of the Compliance Officer, the licensee must produce a Compliance Report:

- (a) as to its compliance during the Regulatory Year with the Relevant Duties; and
- (b) as to its implementation of the practices, procedures and systems adopted in accordance with the Compliance Statement.

9.15.11 The Compliance Report produced in accordance with paragraph 9.15.10 must:

- (a) detail the activities of the Compliance Officer during the Regulatory Year;
- (b) refer to such other matters as may be appropriate in relation to the implementation of the practices, procedures and systems adopted in accordance with the Compliance Statement; and
- (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.

9.15.12 The licensee must submit to the Authority a copy of the Compliance Report and must provide a copy of the Compliance Report to any person on request.

Special Condition 9.16 Independence of and appointment of managing director of the Transmission Business

Introduction

9.16.1 The purpose of this condition is to set out requirements on the licensee to establish and maintain operational and managerial independence of the Transmission Business and any External Transmission Activities, or of any Affiliate or Related Undertaking of the licensee.

9.16.2 This condition also requires the licensee to appoint a Managing Director Of Transmission to be responsible for the conduct of the Transmission Business and any External Transmission Activities.

Part A: Requirements of the Managing Director Of Transmission

- 9.16.3 The licensee must at all times ensure that the Transmission Business and any External Transmission Activities are conducted with managerial and operational independence from any other business operated by the licensee, and of its Affiliates and Related Undertakings.
- 9.16.4 The licensee must appoint a Managing Director Of Transmission.
- 9.16.5 The Managing Director Of Transmission may be a director:
- (a) of the Transmission Licensee; and
 - (b) in the circumstances set out in paragraph 9.16.17 also of:
 - i. an Affiliate or Related Undertaking which holds a Distribution Licence, or
 - ii. a holding company only engaged in ownership or management of Distribution Licence or Transmission Businesses or both.
- 9.16.6 The licensee must ensure that the Managing Director Of Transmission is not engaged by the licensee in any other capacity other than as Managing Director of Transmission.
- 9.16.7 The licensee must arrange for the Managing Director Of Transmission to be provided with such resources as are necessary to ensure the efficient and effective management and operation of the Transmission Business in accordance with the licensee's duty under section 9(2)(a) of the Act and this licence.
- 9.16.8 The Managing Director Of Transmission must be given sole discretion (subject to compliance with relevant UK employment legislation) to oversee and manage their personnel.
- 9.16.9 The licensee must direct the Managing Director Of Transmission:
- (a) to inform the directors of the licensee, in writing, if, at any time, the Managing Director Of Transmission is of the opinion that the provision of resources under paragraph ~~9.16~~9.16.7 is not sufficient to enable the licensee to comply with its duties under section 9(2)(a) of the Act and this licence; and
 - (b) as soon as is reasonably practicable after the end of ~~2021~~2026 and of each Regulatory Year, to provide the directors of the licensee with:
 - i. a report on the provision of the resources necessary in respect of that year; and
 - ii. a statement as to the resources required by the Managing Director Of Transmission to ensure that the licensee complies with its duties including, in particular, a description of the differences in the provision of those matters made or likely to be made in that year compared with the provision made in respect of the preceding year and the reasons for those differences.

9.16.10 On receipt of any information or report under paragraph 9.16.9, the licensee must, subject to compliance with the listing rules (within the meaning of Part IV of the Financial Services Act 1986 (c.60)) of the Stock Exchange:

- (a) give the information or report to the Authority as soon as is reasonably practicable; and
- (b) publish any report, in such form and manner as the Authority may direct, as soon as is reasonably practicable.

9.16.11 Except where the Authority otherwise directs, the licensee may give instructions to the Managing Director Of Transmission as to the discharge of their responsibilities under paragraph 9.16.3 only:

- (a) where such instructions are required:
 - i. in the bona fide and reasonable opinion of the licensee to ensure compliance with the statutory, licence and contractual obligations of the licensee; or
 - ii. in the bona fide opinion of the directors, to ensure compliance with their duties; or

(b) to ensure compliance with paragraph 9.16.9.

9.16.12 The licensee must give instructions under sub-paragraph 9.16.11(a) in writing, specifying the statutory, licence or contractual obligations of the licensee or duty of the directors of the licensee which require the licensee to give instructions, and must send a copy of the instructions to the Authority.

9.16.13 Except as the Authority otherwise directs, the licensee must, subject to paragraph 9.16.14, ensure that:

- (a) no business of the licensee (or of any Affiliate or Related Undertaking of the licensee), other than the Transmission Business or any External Transmission Activities, may use or have access to:
 - i. premises or parts of premises occupied by persons engaged in, or in respect of, the management or operation of the Transmission Business or any External Transmission Activities;
 - ii. systems for the recording, processing or storage of data to which persons engaged in, or in respect of, the management or operation of the Transmission Business or any External Transmission Activities also have access;
 - iii. equipment, facilities or property employed for the management or operation of the Transmission Business or any External Transmission Activities; or
 - iv. the services of persons who are (whether or not as their principal occupation) engaged in, or in respect of, the management or operation of the Transmission Business or any External Transmission Activities; and
- (b) it can and does, insofar as is legally possible, prevent any person who has ceased to be engaged in, or in respect of, the management or operation of the Transmission Business from being engaged in, or in respect of, the

activities of any other business of the licensee (or of any Affiliate or Related Undertaking of the licensee) until the expiry of an Appropriate Time from the date on which the person ceased to be engaged by the Transmission Business.

9.16.14 The Authority may, upon the written request of the licensee, by direction relieve the licensee of some or all of its obligations under Special Condition 9.14 (Restriction on the use of certain information) and under paragraphs 9.16.3, 9.16.4 and 9.16.13, where:

- (a) it is not reasonably practicable for the licensee to comply with any aspect of those obligations;
- (b) in the case of paragraphs 2 to 4 of Special Condition 9.14, a failure to comply with any aspect of those obligations would be of a trivial nature; or
- (c) in the case of paragraph 9.16.3 and 9.16.13, any arrangements for the use of or access to premises, systems, equipment, facilities, property or personnel by both the Transmission Business and any other business of the licensee (or of any Affiliate or Related Undertaking of the licensee):
 - i. do not involve a cross-subsidy being either given to the Transmission Business by such other business or received from the Transmission Business by such other business;
 - ii. obtain for the Transmission Business, in the most efficient and economical manner possible, the use of the relevant premises, systems, equipment, facilities, property or personnel; and
 - iii. do not restrict, distort or prevent competition in the generation or supply of electricity;

provided that the licensee shall not thereby be relieved of any obligation imposed on it by EU Directive 2009/72/EC as modified by the Act.

9.16.15 Where, subsequent to the issue of a direction pursuant to paragraph 9.16.14, the criteria set out at 9.16.14(a), (b) or (c) cease to be satisfied, the Authority may withdraw the direction or modify its terms.

9.16.16 For the purposes of paragraphs 9.16.14 and 9.16.15 of this condition the Authority may, following consultation with the licensee, direct whether the criteria set out at sub-paragraphs 9.16.14 (a), (b) or (c) are or continue to be satisfied.

9.16.17 If the Authority is requested to issue any direction pursuant to 9.16.14 relating to the Transmission Business being managed or operated by the licensee together with any Distribution Licence then that direction may provide:

- (a) that for the purposes of this condition and of Special Condition 9.14 the Transmission Business must be taken to include any such distribution business; and
- (b) for the Managing Director Of Transmission to take part in the management of or to be a director of any company carrying on any such distribution business.

Special Condition 9.17 Not Used

Special Condition 9.18 Not Used

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: ~~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: ~~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: ~~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: ~~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 not be less than 28 days 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 ~~not be less than~~ 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 9.20.69.20.4 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 ~~not be less than 28 days~~ 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 ~~not be less than~~ 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 9.15 (Appointment of a Compliance Officer) and 9.16 (Independence of and appointment of managing director of the Transmission Business), 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 ~~provide~~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 ~~not be less than 28 days~~ 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 ~~not be less than 28 days~~ 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 ~~not be less than 28 days~~ 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 ~~not be less than 28 days~~ be up to 28 days unless the Authority determines that a longer period is appropriate.

Special Condition 9.22 CSNP Coordination

Introduction

The effect of this condition is to place an obligation on the require the licensee to use all reasonable endeavours to provide information and assistance to the ISOP in relation to the development and implementation of the CSNP.

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.

Part A of this condition sets out obligations on the licensee in respect of supporting the ISOP to develop the CSNP. Part B sets out the scope, contents, and governance arrangements for the CSNP Coordination Governance Document, and the process the Authority will follow in issuing and amending the CSNP Coordination Governance Document, which the licensee must comply with.

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

In accordance with the CSNP Coordination Governance Document, the licensee must use all reasonable endeavours to provide information and data that is required by the ISOP for the development and implementation of the CSNP.

The licensee must have due regard to the STCs when providing information to the ISOP for the development of the CSNP.

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 NESO** 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.

The licensee will provide to the ISOP the information specified under part 3.19.16 of a Cost And Output Adjusting Event under Part E of Special Condition 3.19 (CSNP Re-opener and Price Control Deliverable term) where the licensee applies for a Cost And Output Adjusting Event under Part E of Special Condition 3.19 (CSNP Re-opener and Price Control Deliverable term).

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.
- (d) details of information related to the licensee's Transmission Area required to be provided to the ISOP;
- (e) the format (including templates) for responding to requests for information from the ISOP;
- (f) timescales for responding to scheduled information requests from the ISOP;
- (g) the frequency and expected timescales within which the licensee is required to carry out the activities specified in Part A; and
- (h) the process for responding to additional information requests from the ISOP.

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 not be less than 28 days

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 9.22**Special Condition 9.23 Not Used**