

# Guidance

## ET2/ET3 Crossover Submission Requirements and Guidance Document

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### Overview

This document is directed at electricity transmission network companies (for the purposes of this document 'TOs' or 'licensees') as well as their stakeholders.

The purpose of this document is to set out the general principles, methodologies and processes that the Authority will use when assessing the need for, the timing of, and the value of, any amendments to RIIO-ET2/ET3 ('ET2/ET3') Crossover adjustments as set out in Special Condition 3.23 of the TO licences. It also sets out requirements in relation to applications and other submissions by the TOs that are required to support the Authority's assessments.

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# 1. Introduction

1.1 This chapter sets out the background to the ET2/ET3 Crossover Submission Requirements and Guidance Document.

1.2 This document is issued by the Authority in accordance with Special Condition 3.23 of the TO licences. This document applies exclusively to the TO licensees.

1.3 As part of our Final Determinations for the RIIO-ET3 price controls we decided to create a ET2/ET3 Crossover adjustments mechanism through which we may adjust RIIO-ET3 allowances and, where appropriate, create new RIIO-ET3 outputs, for ET2/ET3 Crossover items, which are outputs, deliverables or activities that are funded in full or part by a RIIO-ET2 mechanism and where the TO efficiently incurs expenditure in the RIIO-ET3 period.

1.4 This document sets out:

- Definitions and scope of coverage of adjustments to allowances under the ET2/ET3 Crossover adjustments mechanism.
- The general principles that the Authority will have regard to when making amendments to allowances under the ET2/ET3 Crossover adjustments mechanism.
- The timing and format of requests by the licensee for an amendment to allowances under the mechanism.
- The details of information required to be provided by the licensee to the Authority to support a request for amendment to allowances.
- The Authority's process and timing for making amendments to any allowances.

1.5 This document is to be read in conjunction with the following documents:

- Electricity Transmission Special Conditions as it stood on 31 March 2026 and any Associated Documents (ADs) issued in accordance with those conditions.
- Electricity Transmission Special Conditions (current) and ADs (other than this document) issued in accordance with those conditions.
- RIIO-ET3 Price Control Financial Handbook.
- RIIO-ET3 Final Determinations.
- The Electricity Act, 1989 ('the Act').

**1.6** In this Guidance, we use the terms 'Ofgem' and 'the Authority' as well as the terms 'we', 'us' and 'our' interchangeably. Ofgem is the Office of Gas and Electricity Markets. The Authority is the Gas and Electricity Markets Authority and is the governing body of Ofgem, consisting of executive and non-executive members.

## 2. Definitions and scope of coverage of adjustments to allowances

This chapter sets out the definitions and scope of coverage of adjustments to allowances under the ET2/ET3 Crossover adjustments mechanism.

- 2.1 Through our price control determinations, we set:
- outputs to reflect the attributes of network service quality that are of most value to current and future consumers; and
  - price control allowances that reflect our view of the efficient cost of delivering those outputs.
- 2.2 We recognise that the periodic price control review process is not aligned with the way in which licensees undertake activities required to deliver their outputs. There are circumstances in which the delivery of price control outputs or deliverables set for one price control period may involve the TOs efficiently incurring expenditure in subsequent periods. In some exceptional circumstances, TOs may efficiently incur expenditure in a previous price control period before an output or deliverable has been set by Ofgem.
- 2.3 The purpose of the ET2/ET3 Crossover adjustments mechanism is to provide an explicit route for the Authority to provide funding to TOs for efficiently incurred expenditure on ET2/ET3 Crossover Items as defined in Special Condition 3.23 of the RIIO-ET3 licences.
- 2.4 The provisions of the Special Condition 3.23 ET2/ET3 Crossover adjustments are complementary to the process for closing out the RIIO-ET2 price control ('close out'), for which the methodology will be set out separately by Ofgem. The ET2/ET3 Crossover adjustments mechanism is intended to act as a backstop, providing a route for the Authority, where necessary and at its discretion, to remunerate efficiently incurred expenditure on qualifying items.

### **Definition of an ET2/ET3 Crossover Item**

- 2.5 An ET2/ET3 Crossover Item is defined in Special Condition 3.23 of the RIIO-ET3 licences. This definition includes outputs, Price Control Deliverables (PCDs) or activities that are funded in part or in full by a RIIO-ET2 mechanism and where the licensee has efficiently incurred (or will incur) expenditure in the RIIO-ET3 period.
- 2.6 This definition potentially includes (but is not limited to) the following:
- Outputs that are licence obligations, for example, LOTI Outputs created under Special Condition 3.13 Large onshore transmission investment Reopener (LOTIAt and LOTIREt) of the RIIO-ET2 licence.

- PCDs, for example, the Physical Security PCDs created under Special Condition 3.4 Physical Security Re-opener and Price Control Deliverable (PSUPt and PSUPREt).
  - Volume driver mechanisms, for example the mechanism created under Special Condition 3.11 Generation Connections volume driver (GCET).
  - Use it or lose it (UIOLI) mechanisms, for example the mechanism created under Special Condition 3.5 Net Zero and Re-opener Development Fund use it or lose it allowance (RDFt).
- 2.7 Although this definition could potentially include Accelerated Strategic Transmission Investment (ASTI) PCDs and UIOLI mechanisms created under SpC 3.40 and SpC 3.41 of the RIIO-ET2 licence, we have decided that expenditure related to these items would be remunerated in the RIIO-ET3 period through other dedicated provisions that we have included in the RIIO-ET3 licence. As such, we have not included explicit licence terms for RIIO-ET2 ASTI terms.

## **Scope of adjustments under the ET2/ET3 Crossover adjustments mechanism**

- 2.8 Special Condition 3.23 of the RIIO-ET3 licence specifies two criteria (of which at least one must be met) for making adjustments to allowances.
- 2.9 The first is the part-funding criterion. We may make an adjustment to allowances under the ET2/ET3 Crossover adjustments mechanism if the funding provided by a RIIO-ET2 mechanism for an ET2/ET3 Crossover item was only intended to cover part of the efficient cost of delivering the item in full and there is no other mechanism in the licence as in force at the time of the amendment that could otherwise fund the remaining efficient cost of the ET2/ET3 Crossover item.
- 2.10 For example, this might be the case where an output was due to be delivered during the RIIO-ET3 period, with expenditure expected to be incurred in both the RIIO-ET2 and RIIO-ET3 periods, and funding provided by the relevant mechanism in the RIIO-ET2 licence only covered costs expected to be incurred in the RIIO-ET2 period. In such circumstances, we may use the ET2/ET3 Crossover adjustments mechanism to provide funding for efficient costs incurred or expected to be incurred in the RIIO-ET3 period.
- 2.11 The second is the RIIO-ET2 close out criterion. We may make an adjustment to allowances under the ET2/ET3 mechanism if adjustments to allowances made through the provisions specified under Special Condition 7.2 Legacy AIP Adjustment term (LADJt) of the licence would result in (or are expected to result in) a negative adjustment to allowances for a ET2/ET3 Crossover item such that the efficient cost of delivering the item is no longer fully remunerated as originally intended.
- 2.12 For example, this might be the case where an evaluative PCD set as part of the RIIO-ET2 price control (with a delivery date in the ET2 period) is delayed and is now

expected to be delivered in Year 3 of the RIIO-ET3 period. The assessment of PCD delivery, carried out in accordance with SpC 9.3 of the ET2 licence, might result in the PCD being assessed as not fully delivered, leading to a reduction in allowances to account for the non-delivery through the ET2 close out process. If the PCD is delivered in full after the close out process has been completed, and we consider that delivery of the PCD would still be beneficial to consumers, we may decide to reverse the reduction through an ET2/ET3 Crossover adjustment.

- 2.13 When making a decision on adjustments to funding or outputs relating to an ET2/ET3 Crossover item, we will consider whether there are alternative mechanisms in the RIIO-ET3 licence that could be used instead of the ET2/ET3 Crossover adjustments mechanism, eg the Load Re-opener (SpC 3.18). Where a suitable alternative mechanism is identified, we will consider the specific circumstances of the ET2/ET3 Crossover item when choosing the appropriate mechanism to use.
- 2.14 SpC 3.23 includes terms in the RIIO-ET2 licence which could be subject to a crossover adjustment. For the avoidance of doubt, the inclusion of a term does not mean that adjustments will be made. The list includes:
- Mechanisms which will be adjusted automatically;
  - Mechanisms which we expect to be adjusted as part of RIIO-ET2 Close out – for these issues the approach for adjustments will be developed as part of the close out process; and
  - Mechanisms where adjustments will be made based on RIIO-ET2 guidance – this includes, all RIIO-ET2 re-opener mechanism, NARM and Evaluative PCDs.
- 2.15 We do not expect to use the ET2/ET3 Crossover adjustments mechanism to provide funding to remunerate TOs for costs incurred in the RIIO-ET2 period for outputs or PCDs that were not created during the ET2 period or through a mechanism specified in the RIIO-ET2 licence. We expect that TOs would only efficiently incur expenditure in advance of an output or deliverable being set in exceptional circumstances, and there cannot be a default expectation that any expenditure incurred in advance will be funded in subsequent price control determinations unless otherwise agreed with Ofgem (eg through the Advanced Procurement Mechanism (APM)). Where Ofgem accepts that it is efficient for the TO to have incurred expenditure in advance, we expect that appropriate funding for such expenditure will have either been provided in RIIO-ET3 baseline allowances, through a RIIO-ET3 re-opener mechanism, or will be provided through the RIIO-ET2 close out process. However, if after the completion of the RIIO-ET2 close out process, a TO is able to demonstrate that efficiently incurred expenditure has not been adequately funded and there are no alternative funding routes available (eg a RIIO-ET3 re-opener), we will consider using the ET2/ET3 Crossover adjustments mechanism to make up any legitimate shortfall.

- 2.16 Notwithstanding the above, and for the avoidance of doubt, nothing in Special Condition 3.23 of the RIIO-ET3 licence restricts our ability to make changes to allowances specified in Appendix 1 or to introduce or amend outputs or deliverables in Appendix 2 in any event by modifying the licence using our powers under S11A of the Act if we consider such changes to be necessary.
- 2.17 We provide further information and guidance on our intended approach to the ET2/ET3 Crossover adjustment in Chapter 5.

### 3. General principles for ET2/ET3 Crossover adjustments

This chapter sets out the general principles that the Authority will have regard to when making adjustments to allowances and outputs under the ET2/ET3 Crossover adjustments mechanism.

3.1 When considering whether to make an adjustment to allowances and outputs, the Authority will have regard to the following principles.

- **Seamless transition.** We will aim to ensure that the transition from the RIIO-ET2 to RIIO-ET3 does not create unnecessary barriers to, or disincentives for, the efficient operation of the ET network or the efficient and timely delivery of outputs, deliverables or activities by the TO.
- **Appropriate remuneration of efficient costs.** We will aim to ensure that any shortfalls in funding for efficient costs associated with an ET2/ET3 Crossover item created as a consequence of the transition from the RIIO-ET2 to RIIO-ET3 price control are appropriately remunerated.
- **No undue benefit to TOs from delaying work into RIIO-ET3.** We will aim to ensure that TOs do not unduly benefit from delaying delivery of ET2/ET3 Crossover items into RIIO-ET3. This may include re-profiling past or future allowances and the transfer of allowances from the RIIO-ET2 period to the RIIO-ET3 period, to better align with actual delivery dates.
- **Accountability for delivery.** TOs will normally be held accountable for meeting outputs, deliverables, targets or delivery dates associated with ET2/ET3 Crossover items that are specified in the RIIO-ET2 licence. Where necessary, we will create new outputs, deliverables, targets and delivery dates in the RIIO-ET3 licence to support this. A decision by us to make adjustments under this mechanism does not imply our endorsement of any actions taken by the relevant TO in relation to the ET2/ET3 Crossover item.
- **Adjustments to allowances could be upwards or downwards.** Where appropriate and in line with these principles, ET2/ET3 Crossover adjustments could be negative and could have the effect of clawing back allowances associated with the ET2/ET3 Crossover item.

## 4. Approach to determining ET2/ET3 Crossover adjustments

This chapter sets out further guidance on the approach that the Authority intends to take when making adjustments to allowances under the ET2/ET3 Crossover adjustments mechanism.

4.1 The table below provide further information and guidance on our intended approach to the ET2/ET3 Crossover adjustments. The examples provided in this table are for illustrative purposes only and are non-exhaustive, and any adjustments made under the ET2/ET3 Crossover adjustments mechanism will be made in accordance with the provisions set out in SpC 3.23 and the relevant provisions in the ET2 licence.

Type of RIIO-ET2 mechanism	Intended approach to ET2/ET3 Crossover adjustments
<p><b>NARM Outputs</b></p> <p>SpC 3.1 Baseline Network Risk Outputs (NARMt)</p>	<p>In some circumstances, the delivery of RIIO-ET2 NARM outputs may be delayed into the RIIO-ET3 period.</p> <p>In such circumstances, and depending on the extent of delay, the RIIO-ET2 NARM close out process may result in a downward funding adjustment through the NARM Funding Adjustment and Penalty Mechanism (FAPM). If the RIIO-ET2 NARM output is forecast to be delivered after the NARM FAPM assessment is complete, and the Authority considers that the delivery is still beneficial for consumers despite the delay, the TO may be remunerated for the allowances through Special Condition 3.10 in the ET licence, the Non-Load Re-opener, during RIIO-ET3.</p> <p>After completing the FAPM assessment through the RIIO-ET2 closeout process, the allowances and outputs determined at closeout for projects which the Authority considers that the delivery is still beneficial for consumers despite the delay, will be added to Appendix 4 in Special Condition 3.10 of the ET licence. Licensees may only apply for these adjustments under the Non-Load Re-opener in the first five working days of October 2028. Further guidance will be provided in the RIIO-3 NARM Handbook.</p> <p>Where Special Condition 3.10 cannot be used to manage NARM closeout adjustments for unforeseen reasons, Special Condition 3.23 could be used instead.</p>

Type of RIIO-ET2 mechanism	Intended approach to ET2/ET3 Crossover adjustments
<p><b>Outputs that are licence obligations</b></p> <p>SpC 3.13 Large Onshore Transmission Investment Reopener (LOTIA and LOTIREt)</p>	<p><b>Delayed outputs</b></p> <p>In some circumstances, RIIO-ET2 outputs with delivery dates in the RIIO-ET2 period may be delayed into the RIIO-ET3 period. Ofgem may decide to re-profile the allowances associated with the output to align more closely with actual delivery. This could involve moving allowances from the RIIO-ET2 period into the RIIO-ET3 period, using the ET2/ET3 Crossover adjustment to provide allowances in the RIIO-ET3 period.</p> <p>For the avoidance of doubt, Ofgem reserves the right to take enforcement action if there is considered to be a breach of licence obligations.</p> <p><b>Applications made under provisions in the RIIO-ET2 licence</b></p> <p>A licensee may submit (or have submitted) a valid application for additional funding or changes to outputs under the mechanisms in the RIIO-ET2 licence:</p> <ul style="list-style-type: none"> <li>• The large onshore transmission investment re-opener mechanism, as set out in Part B of SpC 3.13 of the RIIO-ET2 licence.</li> <li>• The Cost and Output Adjusting Event mechanism as set out in Part G of SpC 3.13 of the ET2 licence.</li> </ul> <p>Provided a valid and complete application is made on or before 31 March 2026, Ofgem will assess these applications in accordance with the provisions contained in the relevant conditions at the time of application.</p> <p>If, following its assessment of the application, Ofgem decides to make adjustments to allowances, we may do so by making an adjustment to the relevant allowance term under the ET2/ET3 Crossover adjustments mechanism. If Ofgem decides to amend existing outputs or create new outputs, we will do so by amending Appendix 2.</p> <p><b>Outputs with delivery dates in ET3</b></p> <p>Some RIIO-ET2 outputs may have delivery dates in the RIIO-ET3 period. In such cases, and if these costs have not been funded through the RIIO-ET3 baseline allowance or through another RIIO-ET3 mechanism, Ofgem may use the ET2/ET3 Crossover adjustments mechanism to provide allowances for efficient costs incurred (or expected to be incurred) in the RIIO-ET3 period.</p>

<b>Type of RIIO-ET2 mechanism</b>	<b>Intended approach to ET2/ET3 Crossover adjustments</b>
	<p>Ofgem may introduce new outputs or PCDs in the ET3 licence to hold the TO accountable for delivery, and in any event will hold TOs accountable for the outputs agreed in RIIO-ET2 where these continue to be delivered in RIIO-ET3.</p> <p>Where provisions such as Cost and Output Adjusting Events (COAE) were applicable to projects established during RIIO-ET2, arrangements established in the RIIO-ET3 licence will now apply instead (eg COAE under LOTI will now be COAE under the Load Re-opener).</p>
Mechanistic PCDs	<p>Allowances for mechanistic PCDs will be determined in line with the formulae set out in the relevant condition in the ET2 licence.</p> <p><b>Delayed delivery</b></p> <p>The delivery of RIIO-ET2 mechanistic PCDs may be delayed into the ET3 period.</p> <p>In such circumstances, the application of the formulae in the relevant RIIO-ET2 licence condition will result in the TO not being funded for mechanistic PCD volumes that were not delivered by their expected delivery dates.</p> <p>If some of these mechanistic PCD volumes are subsequently delivered (after funding has been removed) and the Authority considers that delivery is beneficial to consumers, the Authority may use the ET2/ET3 Crossover adjustments mechanism to provide appropriate funding to remunerate the licensee for efficient costs associated with the delivery of the delayed mechanistic output, taking account of the benefits delivered.</p> <p>If the adjustment to allowances is done on an anticipatory basis before the mechanistic PCD volumes are delivered, the Authority may introduce new outputs or PCDs in the ET3 licence to hold the TO accountable for delivery.</p>
<b>Evaluative PCDs and re-openers</b>	<p>All ET2 evaluative PCDs will be assessed in line with Part A of SpC 9.3 of the ET2 licence.</p> <p><b>Delayed delivery</b></p> <p>In some circumstances, the delivery of some RIIO-ET2 evaluative PCDs may be delayed into the RIIO-ET3 period.</p>

<p><b>Type of RIIO-ET2 mechanism</b></p>	<p><b>Intended approach to ET2/ET3 Crossover adjustments</b></p>
	<p>In such circumstances, and depending on the extent of delay, the RIIO-ET2 evaluative PCD assessment process may result in a downward funding adjustment for non-delivery of the PCD. This could happen if the PCD has not been delivered at the time of the assessment.</p> <p>If part or all of the PCD is subsequently delivered (after the evaluative assessment is complete) and the Authority considers that delivery is beneficial to consumers, the Authority may use the ET2/ET3 Crossover adjustments mechanism to provide appropriate funding to remunerate the licensee for efficient costs associated with the delivery of the delayed evaluative PCD, taking account of the benefits delivered.</p> <p>If the adjustment to allowances is done on an anticipatory basis before the PCD is delivered, the Authority may introduce new outputs or PCDs in the RIIO-ET3 licence to hold the TO accountable for delivery.</p> <p><b>Reopener submissions made before 31 March 2026</b></p> <p>A licensee may submit (or have submitted) a valid application for additional funding or adjustments to outputs under a reopener mechanism in the RIIO-ET2 licence (eg MSIP or PCF)</p> <p>Provided a valid and complete application is made on or before 31 March 2026, Ofgem will assess these applications in accordance with the provisions contained in the relevant conditions at the time of application.</p> <p>If, following its assessment of the application, Ofgem decides to make adjustments to allowances, we may do so by making an adjustment to the relevant allowance term under the ET2/ET3 Crossover adjustments mechanism. This does not apply to ASTI projects.</p> <p>If Ofgem decides to amend existing outputs or create new outputs, we will do so through a modification to the ET3 licence using our S11A powers.</p>
<p><b>Volume drivers</b></p>	<p><b>Funding for T2+2 volumes</b></p> <p>RIIO-ET2 volume drivers are intended to fund volumes delivered in the ET2 period and in Years 1 and 2 of the ET3 period (provided they meet the conditions set out in paragraph 4.128 of the RIIO-3 Final Determinations ET Annex). Any adjustments to allowances may be made through the ET2/ET3 Crossover adjustments mechanism.</p>

Type of RIIO-ET2 mechanism	Intended approach to ET2/ET3 Crossover adjustments
UIOLI	<p data-bbox="416 356 794 389"><b>Unused UIOLI allowances</b></p> <p data-bbox="416 423 1414 622">In some circumstances, TOs may not have fully utilised allowances provided on a use it or lose it basis (UIOLI) in the RIIO-ET2 price control period. In these circumstances, there may be benefits in allowing TOs to transfer the unused funding into the RIIO-ET3 period, though we consider this unlikely.</p> <p data-bbox="416 656 1370 768">If the Authority considers that there are benefits to transferring the unused funding to the ET3 period, we may use the ET2/ET3 Crossover adjustments mechanism to provide the funding for the ET3 period.</p> <p data-bbox="416 801 1382 913">The Authority may apply conditions to such ET3 allowances, including by setting outputs or price control deliverables, or a use it or lose it condition.</p>

## 5. Process for making adjustments under the ET2/ET3 Crossover adjustments mechanism

- 5.1 As set out in Special Condition 3.23, we intend to make any amendments to allowances specified in Appendix 1 of the condition and, where appropriate, introduce new outputs or deliverables using our powers under Section 11A of the Act.
- 5.2 These adjustments are intended to be complementary to the RIIO-ET2 close out process. Therefore in most cases, our expectation is that we would wait until the conclusion of the RIIO-ET2 close out process before making an adjustment under the ET2/ET3 Crossover adjustments mechanism.
- 5.3 Where we are satisfied there are no material interactions between the ET2/ET3 Crossover item and the RIIO-ET2 close out process, or that it is not necessary or appropriate to wait until the conclusion of the RIIO-ET2 close out process, we may decide to make adjustments under the ET2/ET3 Crossover adjustments mechanism at any time.
- 5.4 Adjustments under the ET2/ET3 may be initiated by Ofgem or they could be made following an application by TOs. The rest of this section sets out our intended process for making adjustments.

### **Adjustments initiated by Ofgem**

- 5.5 Ofgem may initiate an adjustment under the ET2/ET3 Crossover adjustments mechanism at its discretion at any time during the price control period.
- 5.6 For instance, the ET2/ET3 Crossover adjustments mechanism might be used by Ofgem to give effect in the TOs' licences to a funding decision that it has already made where a suitable alternative mechanism is not available in the RIIO-ET3 licence.
- 5.7 In such cases, there is no need for a formal application from TOs. However, Ofgem may require the relevant TO to provide such information as may be necessary to ensure the amendments made under the mechanism are appropriate.

### **Adjustments initiated by TOs**

- 5.8 If a licensee considers that an adjustment to allowances or outputs under the ET2/ET3 Crossover adjustments mechanism is required, it must submit a request in writing to Ofgem. Such requests may be submitted at any time during the RIIO-ET3 period.
- 5.9 Any requests for adjustments under the ET2/ET3 Crossover adjustments mechanism must include the following:

- A detailed explanation of the need for the requested adjustment to allowances specified in Appendix 1 of Special Condition 3.23, including as a minimum:
  - An explanation of how the requested adjustment meets the definition of an ET2/ET3 Crossover item as specified in Special Condition 3.23.
  - Demonstration, along with supporting evidence, that without the requested adjustment, the licensee would not be adequately remunerated for the efficient cost of delivering the ET2/ET3 Crossover item.
  - Demonstration, along with supporting evidence, that the requested adjustment is beneficial and in the interests of current and future consumers.
- A detailed explanation of the calculation of the requested adjustment to allowances specified in Appendix 1 of Special Condition 3.23, including as a minimum:
  - Demonstration, along with supporting evidence, that the costs intended to be remunerated by the requested adjustment are economic and efficient. This requirement may be waived by Ofgem if it considers that an assessment of cost efficiency is not required.
  - Where forecasts are relied upon, a demonstration with evidence that the forecasts are based on reasonable evidence and are robust under different scenarios.
- A detailed explanation of how consumers' interests will be protected as a result of implementing the requested adjustment, including where appropriate:
  - Proposals for new outputs or deliverables that can be used to hold the licensee accountable for the intended benefits to consumers of the requested adjustment.

5.10 Licensees must provide high-quality information in applications to support our assessments of those applications. To this end, and as far as reasonably possible, applications from licensees must be accurate, unambiguous, complete, and concise.

5.11 All applications must be accompanied by written confirmation from a suitable senior person within the company that the application has been prepared and submitted, such that:

- it is accurate and robust, and that the requested adjustments are in the interests of consumers.

- there were quality assurance processes in place to ensure the licensee has provided high-quality information to enable Ofgem to make decisions which are in the interests of consumers.
- the application has been subject to internal governance arrangements and received sign off at an appropriate level within the licensee.

5.12 A point of contact must be provided for each application, including name, position, email, and phone number.

## **Assessment of applications and timing of decisions**

5.13 Ofgem will assess applications from licensees under the ET2/ET3 Crossover adjustments mechanism in accordance with our principal objective and statutory duties. In doing so, we will also have regard to the general principles set out in Chapter 3 above.

5.14 We will aim to complete our assessment of applications and publish our decision in a timely manner. We recognise that unnecessary delays in reaching a decision could have detrimental impacts. However, the timeline for our decision on individual applications may vary and depends on several factors including the complexity of the issues raised, the quality and completeness of information provided in the application, the extent of interaction with the RIIO-ET2 close out process, and whether there are inter-related matters being concurrently assessed.

## **Implementation of decisions**

5.15 If, following our assessment of an application under the ET2/ET3 Crossover condition, we decide to make an adjustment to allowances set out in Appendix 1 of the condition, we will seek to implement this as soon as practical afterwards through a modification to the licence using our powers under S11A of the Act.

5.16 Where necessary to protect the interests of consumers and to ensure licensees remain accountable for delivery of funded work, we may decide to create new outputs or PCDs or amend existing outputs or PCDs in Appendix 2 of the condition using our powers under S11A of the Act.