

# Guidance

## Re-opener Guidance and Application Requirements Document: Version 5

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This document is directed at the gas transmission (GT), electricity transmission (ET), gas distribution (GD) and electricity distribution (ED) network companies (for the purposes of this document ‘licensees’<sup>1</sup>). The purpose of this document is to:

- set out how the licensees must prepare their Re-opener applications in accordance with Special Condition (SpC) 9.4 (Re-opener Guidance and Application Requirements Document) of the GT, GD and ET licences effective from 1 April 2026) and the ED licences (effective from 1 April 2023); and
- provide some guidance on the style and structure for Re-opener applications.

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<sup>1</sup> Gas distribution and Gas transmission operators are also known as Gas Transporter licensees.

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| Version                      | Changes  | Effective from  |
|------------------------------|--|-----------------|
| Version 1 – 26 February 2021 | Final published version following consultation on draft document published 17 December 2020.   | 1 April 2021    |
| Version 2 – 3 February 2022  | Addition of specific guidance for the MSIP Re-opener.<br>Clarification on cost information to be included in Re-opener applications.<br>Clarification on the application of this Guidance to the FIOC Re-opener. | 3 February 2022 |
| Version 3 – 17 February 2023 | Incorporation of updates to reflect the start of RIIO- ED2.  | 1 April 2023    |
| Version 4 – 28 October 2025  | Clarification of the redaction policy by the addition of Appendix 12.  | 28 October 2025 |
| Version 5 – 1 April 2026     | Incorporation of updates to reflect the start of RIIO-3 for ET, GD and GT sectors.   | 1 April 2026    |

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## 1. Introduction

- 1.1 Re-openers are a type of RIIO uncertainty mechanism. Depending on their design, they allow us to adjust a licensee's allowances (in some cases up and in some cases down), outputs and delivery dates in response to changing circumstances during the price control period. We can do this by direction rather than by a statutory consultation, provided certain requirements are met, in line with the Electricity Act 1989 and Gas Act 1986. Where the requirements are not met, modifications must be made under section 11A (Modifications of conditions of licences) of the Electricity Act 1989 or section 23 (Modifications of conditions of licences) of the Gas Act 1986. Re-openers may be cross sector, sector specific or bespoke to an individual licensee.
- 1.2 The Re-opener Guidance and Application Requirements Document licence: Special Condition (SpC) 9.4 for the GT, GD, ET and ED licences requires that licensees prepare their Re-opener applications in accordance with this document. This is in addition to the requirements set out in the individual Re-opener licence conditions.
- 1.3 In accordance with SpC 9.4, this document sets out how the licensee must prepare its applications for Re-openers, including:
  - the level of detail required in a Re-opener application;
  - requirements to publish the Re-opener application;
  - when it is appropriate to make redactions in published Re-opener applications; and
  - requirements to ensure senior leadership assurance of the application.
- 1.4 This document includes both general requirements that apply to all Re-opener applications to which this document applies (see Appendix 1) and specific requirements for individual Re-opener applications, which are set out in Appendices 2-10 and Appendices 13-15. As specifically provided for in SpC 9.4 (ET, GD, GT) and SpC 1.3 (ED), this document may be amended by the Authority.
- 1.5 Failure to prepare an application in accordance with any of the relevant requirements may result in rejection of the application. In this case, we would consult with the licensee. Licensees must ensure that their applications comply with this document and any other licence requirements prior to submission.
- 1.6 Appendix 1 sets out the RIIO-3 ET, GT, GD and RIIO-2 ED Re-opener mechanisms for which applications must be prepared in accordance with this document.
- 1.7 Appendices 2 – 10 and appendices 13-15 contain guidance and requirements for the preparation of applications for specific Re-opener mechanisms.
- 1.8 Appendix 11 contains information on the process we intend to follow when reaching our decisions on Re-opener applications.
- 1.9 Appendix 12 contains information on the redactions policy.

## 2. Assurance and publication requirements

### Section summary

This chapter provides details of the assurance, publication, and redaction requirements for licensees' Re-opener applications.

### Assurance requirements

- 2.1 We require detailed information from licensees in their Re-opener applications in order to carry out robust and timely assessments of those applications. To this end, licensees must make Re-opener applications that are accurate,<sup>2</sup> unambiguous, complete, and concise.<sup>3</sup>
- 2.2 All Re-opener applications must be accompanied by written confirmation from a person duly authorised in accordance with the licensee's governance arrangements within the company that the Re-opener application has been prepared and submitted, such that:<sup>4</sup>
  - it is accurate and robust, and that the proposed outcomes of the Re-opener are financeable and represent good value for consumers;
  - there were quality assurance processes in place to ensure the licensee has provided high-quality information to enable us to make decisions which are in the interests of consumers; and
  - the application has been subject to internal governance arrangements and received sign off at an appropriate level within the licensee. For example, this may be sign-off by the company board if appropriate.
- 2.3 A point of contact must be provided for each Re-opener application, including name, position, email, and phone number.

### Publication and redaction requirements

- 2.4 Subject to paragraphs 2.5 and 2.6, the licensee must, within five working days of submitting a Re-opener application to us, publish its complete application in a prominent place on its website, in such a manner that relevant stakeholders can easily locate the application.
- 2.5 Subject to paragraph 2.6, a licensee must publish its Re-opener application in its entirety making only necessary redactions. Where redactions are made, we expect licensees to

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<sup>2</sup> We recognise that some aspects may need to be forecast or rely on outside parties or factors. Accuracy means accurate insofar as the licensee can reasonably ascertain.

<sup>3</sup> Emphasis on keeping the core narrative brief, while presenting proportionate evidence and justification for the proposed adjustment, but avoiding duplication and superfluous information and narrative.

<sup>4</sup> These requirements are similar to our letter to the CEOs of licensees (excluding ED companies) on 4 June 2019 - <https://www.ofgem.gov.uk/publications/companies-provide-assurance-ahead-rjio2-business-plan-submission-deadline>

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publish an explanation for the redaction. We recognise that redactions may be appropriate for reasons including:

- confidentiality;
- commercial sensitivity; and
- security.

2.6 Where publishing an application would pose a risk to national security, the application should not be published at all and no explanation of the lack of publication needs to be published. This may be the case with applications relating to cyber resilience and physical security Re-openers.

2.7 Please see Appendix 12 - Redaction Policy for further information on the above and Ofgem's approach to redaction of information.

### 3. Requirements for the content of Re-opener applications

#### Section summary

This chapter sets out requirements on what information a Re-opener application must contain and the standards it must meet.

#### Introduction

- 3.1 Any Re-opener application must clearly provide the Authority with answers to the following questions:
  - Why an adjustment is justified; and
  - What that adjustment should be.
- 3.2 The various Re-opener licence conditions prescribe the minimum information that an application must contain to assist us in answering these two questions. This document, and in particular this chapter, sets out further detail on the required content that must be included in all Re-opener applications.
- 3.3 There may be some Re-opener applications where licensees will not be able to provide the required information listed within this document. In such instances, the licensee must provide a justification for not providing all the required information. We will consider whether there is sufficient information to progress a Re-opener application in the absence of all the required information on a case-by- case basis.
- 3.4 Each application must include a table that maps out which sections of the application relate to individual requirements as set out in the relevant Re-opener licence condition and Chapter 3 of this document.
- 3.5 This chapter should be read in conjunction with the relevant Re-opener appendices to this document and the relevant licence condition(s).

#### Network companies operating multiple networks

- 3.6 In the Gas and Electricity Distribution sectors, a single owner may operate several separate distribution networks under either a single licence or number of separate licences. In either case a single Re-opener application relating to all the distribution networks for which an adjustment is being sought must be submitted. The application must include sufficient detail to permit adjustment of the relevant terms for each individual distribution network. Consequently, with respect to activities that may be delivered centrally for several distribution networks, for example HR services, costs should be allocated proportionally to each distribution network in accordance with the

same principles applied in complying with other regulatory reporting requirements. In the case of Gas Distribution this includes the obligations set out in SpC 9.9.<sup>5</sup>

## **Materiality threshold**

- 3.7 Where a materiality threshold exists, it would apply such that we propose to only adjust allowances if the changes to allowances resulting from our assessment, prior to multiplication by the Totex Incentive Mechanism (TIM) incentive rate applicable to that licensee, exceed the Materiality Threshold specified in the licence.<sup>6</sup>
- 3.8 Where network companies operate more than one network, the materiality threshold is applied to the individual network.

## **Needs case and preferred option**

- 3.9 Unless specifically provided for in the design of a given mechanism, all Re-opener applications must include a needs case whether or not this is a specified requirement of the relevant Re-opener licence condition or specific Re-opener Guidance.
- 3.10 Subject to paragraph 3.3, the needs case must contain the following:

### **Alignment with overall business strategy and commitments**

- 3.11 The application must include a clear statement of how the proposed expenditure aligns with the licensee's future business strategy, including consideration of how it relates to the licensee's licence or other statutory obligations and, if relevant, its business plan for future price control periods.

### **Demonstration of needs case / problem statement**

- 3.12 The application must include a clear statement as to the need for the proposed expenditure or the problem the licensee is trying to address in the context of its significance for consumers, network assets, and wider society. The affected consumers or assets must be identified, and the associated risk being addressed / quantified, where possible.
- 3.13 As well as demonstrating the needs case, the application must also provide the rationale for the level of expenditure proposed and why this level should be regarded as being efficient.

### **Consideration of options and methodology for selection of the preferred option**

- 3.14 The application must include a clear description of the list of options considered and the selection process undertaken to reach the preferred option. This must include the following, subject to paragraph 3.3:

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<sup>5</sup> SpC 9.9: Allocation of revenues and costs for calculations under the price control in respect of the Distribution Network, in the GD Special Conditions.

<sup>6</sup> The value of the materiality threshold for each network is set out in SpC 1.1 of GT, GD and ET Special Conditions and 1.2 of the ED Special Conditions.

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- a clear description of the various options considered, setting out the key features of each option, this should include options considered that were not ultimately adopted;
- a 'do minimum' option to act as a counterfactual to demonstrate the financial impact of no additional investment or programme expenditure taking place;
- an option to delay proposed capital expenditure recognising the option value of such delay;
- a market-based option, where this is available (for example the use of commercial arrangements such as the use of interruptible contracts as an alternative to network reinforcement);
- a clear statement of the criteria used to assess the various options and the assessment of each option against these criteria;
- a brief description of the process used to select the options: either the internal process (for which relevant documents should be included) or the existing industry process;
- an appropriate sensitivity analysis, using relevant statistical or other techniques;
- a clear summary of any Cost Benefit Analysis / Engineering Justification that should be carried out in accordance with paragraphs 3.24 and 3.25 below; and
- a justification for the proposed timing of additional expenditure.

### The preferred option

3.15 The application must include a clear description of the preferred option, sufficient to allow us to make an informed decision on whether it is suitable. This must include all of the following, subject to paragraph 3.3:

- a clear description of the key features of the preferred option including how that option will address the issues set out in the demonstration of needs case / problem statement;
- a clear statement of the benefits to customers, both quantitative and qualitative, of the preferred option;
- if the preferred option is predicated on a particular scenario, a clear description of the scenario and how the option is (or is not) future proofed against other scenarios);
- a clear statement of the key benefits of the preferred option along with any drawbacks identified;
- a register of the various assets or programmes of work that will be impacted by implementation of the preferred option; and
- evidence of the technical feasibility of the preferred option, using technical annexes as appropriate.

3.16 To support the application, additional information may include but is not limited to:

- evidence of optionality for future reinforcement or upgrades and analysis of the risk of asset stranding under different future generation and demand pathways.

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- Confirmation of consistency with any relevant system planning frameworks (e.g. FES for electricity, GNCNR etc), highlighting how the option supports long-term system resilience.

3.17 The application must include a clear statement as to any project delivery and monitoring plan for the preferred option. This must include:

- a project delivery programme including provisional dates and key milestones;
- a consideration of whether the licensee has access to sufficient resources to ensure timely delivery;
- a description of mitigation measures that can be taken to address potential deviation from the project delivery plan; and
- a description of reporting mechanisms to monitor delivery and measure outcomes (this might include the introduction of a new Price Control Deliverable).

## **Stakeholder engagement and whole system opportunities**

3.18 Subject to paragraphs 3.19 and 3.20, the application must include an explanation of how stakeholder engagement contributed to the identification and design of the preferred option. This stakeholder engagement may be limited to those categories of stakeholders who are materially impacted by the choice of preferred option. Where there are opportunities to collaborate with other network companies on whole system issues, this must be reflected in the analysis and evidence provided.

3.19 Stakeholder engagement may not be necessary where there is not a material impact on stakeholders, or where the application is driven by statutory obligations. In these circumstances a brief explanation of why stakeholder engagement was not considered appropriate must be provided.

3.20 Stakeholder engagement will not be necessary where it would pose a risk to national security, specifically for applications related to cyber resilience and physical security Re-openers.

## **Cost information**

3.21 When the adjustment sought relates to increasing the level of allowances, a Re-opener application must include sufficient cost information to provide:

- evidence to justify why the expenditure is additional to that already provided for by relevant ex ante allowances, or that will be provided through other uncertainty mechanisms; and
- why the level of costs is efficient. Please note, the efficient level of costs will be determined at the time of any determination of a Re-opener application.

3.22 The cost evidence included in the Re-opener application must be provided in accordance with the following requirements, subject to paragraph 3.3:

*Format of cost submissions*

- Cost data must be submitted using any relevant template issued by Ofgem or where the licensee has agreed with Ofgem ahead of submission that a template is suitable for a given Re-opener submission.
- Cost data must be submitted in excel format with all data tables etc. clearly labelled and set out in a logical manner, including, where appropriate, instructions on the operation of workbook functionality;

*Cost definitions*

- Submitted costs must be on the same basis as allowances in the licence (2023-24 prices for GD, GT and ET and 2020-21 prices for ED).
- Submitted costs must be on a gross basis including both direct and indirect costs except where:
  - a. the project falls under the scope of Special Condition 3.13 Closely Associated Indirects (CAI) Use-it-or-lose-it mechanism, or
  - b. is considered under Special Condition 3.23 ET2/ET3 Crossover adjustments licence condition, in which case Special Condition 3.24 Legacy Opex Escalator will apply for CAI funding (for ET) or the indirects scaler (for ED) term, where only direct costs should be included.
- For the Business Support Cost (BSC) Re-opener, only BSC should be requested, see Appendix 4 for guidance.
- For the Load Related Expenditure Re-opener, Wayleaves and Diversions Re-opener and Specified Street Works Costs Re-opener (all ED) the cost evidence must also include costs on a net before and after Non-Price Control Allocation basis, with a sufficient level of detail to clearly demonstrate how the gross to net before Non Price Control Allocation and net after Non-Price Control Allocation values were derived;

*Cost granularity and transparency*

- Cost data must be presented at a sufficient level of detail to clearly demonstrate how overall values were derived and in a way that can be easily replicated, including the use of transparent formulae.
- Submitted costs must be easily comparable with other benchmarks, where applicable, or other data submissions of the same nature.
- The licensee must explain all relevant assumptions and data sources;

*Cost forecasting*

- The licensee must explicitly identify and justify all key cost drivers used for forecasting purposes.
- The licensee must clearly explain all relevant uncertainties in forecast cost levels and any potential mitigations. These uncertainties should form the basis of any sensitivity analysis using appropriate techniques and, where appropriate, a register of these uncertainties must be included.
- The licensee must provide outturn data for similar projects.
- The licensee must provide a risk register for the specific project, where the application includes request for risk allowances;

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- The licensee must demonstrate that cost efficiency measures have been identified and that their impacts have been fully accounted for in the forecasts.
- The licensee must demonstrate that the additional allowances are required after all allowances, already provided through ex ante allowances, or that will be provided through other mechanisms) have been considered; and

### *Input price inflation*

- Where a licensee's forecast costs include impact of assumptions related to input price inflation, including Real Price Effects and/or any bespoke modelling of input price inflation, then the licensee must also provide the equivalent cost data excluding the impact of any input price inflation assumptions. The licensee is required to provide the data exclusive of input price inflation in the same format and/or in the same data template as used for the inclusive of input price inflation data.

3.23 Further guidance on how to meet these requirements can be found in the Infrastructure and Projects Authority Cost Estimating Guidance, which is a best practice approach to producing project cost estimates.<sup>7</sup> We expect companies to follow the principles of this guidance when generating cost estimates for projects and programmes. Where licensees do not consider this to be practical or cost effective, they should provide a justification of why the alternative approach they have adopted is more appropriate.

## **Cost benefit analysis and engineering justifications**

3.24 Cost Benefit Analysis (CBA) and Engineering Justifications Papers (EJP) are important sources of evidence that can be included in an application. Where they are provided, they must:

- be consistent with published guidance and recognised best practice, for example the Green Book<sup>8</sup> and the Spackman discounting approach;
- demonstrate evidence of structured options development, including consideration of whole system options and non-network options, where applicable, against a baseline scenario which involves the minimum level of intervention that would be required to remain compliant with all applicable laws and regulations;
- demonstrate the value of projects across different scenarios, where relevant, and include an explicit consideration of (quasi) option values<sup>9</sup> of deferring the investment;
- be clearly linked to the Re-opener application, where applicable, with sensitivity to changes in input parameters assessed, for example future energy scenarios;

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<sup>7</sup> <https://www.gov.uk/government/publications/cost-estimating-guidance>

<sup>8</sup>

[https://assets.publishing.service.gov.uk/media/6645c709bd01f5ed32793cbc/Green\\_Book\\_2022\\_updated\\_links.pdf](https://assets.publishing.service.gov.uk/media/6645c709bd01f5ed32793cbc/Green_Book_2022_updated_links.pdf)

<sup>9</sup> Guidance on this option value can be found in our [Strengthening strategic and sustainability considerations in Ofgem decision making](#), and [Real Options and Investment Decision Making papers](#) and annexes.

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- act as a robust decision support tool, and be open to scrutiny and challenge in conjunction with other appropriate means of justification for investment decisions;
- be transparent about which risks, costs and benefits have neither been considered nor monetised as part of the analysis;
- list all relevant costs and benefits associated with each option. This includes intangible costs and benefits, and costs and benefits that the licensee cannot reliably estimate. In such cases the licensee may omit the associated valuations, but must provide suitable explanation within its supporting documentation; and
- be transparent about the assumptions, inputs and rationale for the decisions, calculations and results arrived at.

3.25 We have published sector-specific guidance on CBAs and EJPs which must be adhered to when submitting Re-opener applications during RIIO-ED2 and RIIO-3 (ET, GD and GT):

- EJP and CBA Guidance for ET, GD and GT in September 2024<sup>10</sup>
- EJP Guidance for ED in February 2021<sup>11</sup>
- CBA Guidance for ED in October 2021<sup>12</sup>

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<sup>10</sup> Investment Decision Pack (IDP) Guidance, Annex 1: [RIIO-3 Business Plan Guidance | Ofgem](https://www.ofgem.gov.uk/publications/riio-ed2-engineering-justification-paper-guidance)

<sup>11</sup> <https://www.ofgem.gov.uk/publications/riio-ed2-engineering-justification-paper-guidance>

<sup>12</sup> <https://www.ofgem.gov.uk/publications/riio-ed2-data-templates-and-associated-instructions-and-guidance>

## 4. Guidance on the style and structure of Re-opener applications

### Section summary

This chapter provides guidance on how to structure and present the key components of a Re-opener application.

### **Style and structure of applications**

- 4.1 Re-opener applications should follow a style and structure that clearly and concisely sets out the evidence that licensees wish to present in support of their request to have allowances or other price control parameters adjusted.
- 4.2 Re-opener applications should follow a logical structure that aligns with the various requirements set out in the relevant Re-opener licence condition and in this document. The application should consist of a core narrative that concisely sets out all the relevant evidence that we require to make an informed decision. Further detailed analysis and technical information including CBAs and EJPs should be set out in clearly identified annexes. Where evidence derived in the annexes is relied upon in the core narrative this should be clearly identified and the core narrative should include a specific reference to where the derivation is presented.
- 4.3 In addition to the requirement to include a table that maps which sections of the application relate to individual requirements set out in the relevant Re-opener licence condition and paragraph 3.4 of this document, a table of contents and glossary of terms should be included as part of the application.
- 4.4 The core narrative should be clear and concise in the presentation of all the relevant evidence required to make an informed decision. The emphasis should be on the proportionate presentation of evidence avoiding duplication and superfluous information or narrative. The narrative should focus on quantifiable and objective evidence rather than subjective or qualitative assertions.
- 4.5 When determining the proportionate amount of evidence presented with respect to any particular issue, relevant factors should include:
  - materiality of the issue with respect to the overall decision;
  - the complexity of the issues being considered;
  - the quality of evidence being considered;
  - the level of certainty about the future; and
  - interaction with other relevant considerations.

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- 4.6 The core narrative should be drafted according to the principles of Plain English.<sup>13</sup> As far as possible defined terms should have the same meaning as they have in the relevant licence and/or Final Determinations. Data tables should be clearly and precisely labelled.
- 4.7 While the purpose of the annexes is to present detailed analysis and technical information, the same principles with respect to the clear and concise presentation of evidence should apply.
- 4.8 Specific requirements with regards to the structure of specific Re-opener applications may be provided in individual appendices for specific Re-openers.

## 5. Appendices Index

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<sup>13</sup> Plain English Campaign [www.plainenglish.co.uk](http://www.plainenglish.co.uk)

## Appendix 1 Complete list of RIIO-3 ET, GT, GD & RIIO-ED2 Re-openers to which this document applies

A1.1 Below is a full list of RIIO-3 ET, GT, GD and RIIO-ED2 Re-openers, as defined in the licence.<sup>14</sup> This document applies in all cases unless otherwise stated in this table. Where an appendix is mentioned, this should be read in conjunction with the main document.

### List of Cross Sector Re-openers (all network and distribution companies - ET, GT, GD and ED)

|   |                                      |            |
|---|--------------------------------------|------------|
| Cyber Resilience                                      | SpC 3.2 (ET, GT and GD and ED)       | Appendix 3 |
| Resilience (ET, GT, GD)                               | SpC 3.3 (ET, GT, GD)                 |            |
| Decarbonisation and Environmental Policy (ET, GD, GT) | SpC 3.6 (ET, GT GD)                  |            |
| Coordinated Adjustment Mechanism                      | SpC 3.8 (ET, GT, GD)<br>SpC 3.7 (ED) | Appendix 2 |
| Digitalisation  | SpC 3.7 (ET, GT, GD)<br>SpC 3.2 (ED) | Appendix 6 |

### List of Gas Transmission Sector Re-openers (NGT)

|  |             |  |
|--|-------------|--|
| Small Decarbonisation Projects Re-opener   | GT SpC 3.4  | Please also refer to the separate Small Decarbonisation Projects Re-opener Governance Document |
| Funded incremental obligated capacity (FIOC) Price Control Deliverable and Re-opener       | GT SpC 3.11 | Please also refer to the separate FIOC Guidance and Submissions Requirements Document          |
| Asset health Re-opener   | GT SpC 3.12 | Appendix 13  |
| Pipeline Diversions Re-opener  | GT SpC 3.14 |  |
| West import resilience project Price Control Deliverable and Re-opener (WIRPt and WIRPROt) | GT SpC 3.18 |  |
| Gas Strategic Planning Re-opener   | GT SpC 3.19 |  |
| Office, Gas National Control Centre and  | GT SpC 3.20 |  |

<sup>14</sup> SpC 1.1 in the GD, GT, ET Special Conditions and SpC 1.2 in the ED Special Conditions.

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|  |             |             |
|--|-------------|-------------|
| Emergency Control Room Relocation Re-opener                |             |             |
| Network Capability Re-opener                               | GT SpC 3.21 | Appendix 14 |
| Bacton enhanced filtration Re-opener                       | GT SpC 3.22 |             |
| Network decarbonisation and emissions compliance Re-opener | GT SpC 3.23 | Appendix 15 |

**List of Electricity Transmission Sector Re-openers (NGET SHET SPT)**

|  |             |  |
|--|-------------|--|
| Non-Load Re-opener   | ET SpC 3.10 |  |
| Business Support Costs   | ET SpC 3.14 | Appendix 4   |
| Pre-Construction Funding (PCF)   | ET SpC 3.15 |  |
| Advanced Procurement Mechanism   | ET SpC 3.16 | This document does not apply, please see APM Governance document.  |
| Load Re-opener and Price Control Deliverable   | ET SpC 3.18 | This document applies in parts, please see Load Re-opener Guidance and Submission Requirements Document that takes primacy.          |
| CSNP Re-opener and Price Control Deliverable   | ET SpC 3.19 | This document applies in parts, please see CSNP-Re-opener Guidance and Submission Requirements Document that takes primacy.          |
| Accelerated strategic transmission investment Pre-Construction Funding Re-opener, Price Control Deliverable and Use It Or Lose It Adjustment | ET SpC 3.20 | This document does not apply, please see Accelerated Strategic Transmission Investment Guidance And Submission Requirements Document |
| Accelerated strategic transmission investment Re-opener and Price Control Deliverable term   | ET SpC 3.21 | This document does not apply, please see Accelerated Strategic Transmission Investment Guidance And Submission Requirements Document |
| Subsea Cable Re-opener (SHET only)   | ET SpC 3.26 |  |
| Property Re-opener (SHET only)   | ET SpC 3.27 |  |
| NESO Separation Re-opener (NGET only)  | ET SpC 3.40 | Applicable Re-openers  |
| Property Alpha Re-opener (NGET only)   | ET SpC 3.41 | Appendix 10  |
| Property Beta Re-opener (NGET only)  | ET SpC 3.42 | Appendix 10  |

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|  |             |             |
|--|-------------|-------------|
| Tyne Crossing Project Re-opener (NGET only)                                  | ET SpC 3.43 |             |
| NGET Non-Load Related Major Projects Re-opener and Price Control Deliverable | ET SpC 3.47 | Appendix 10 |
| NGET V-String Busbars Re-opener and Price Control Deliverable                | ET SpC 3.51 | Appendix 10 |
| NGET Reactive Compensation Re-opener and Price Control Deliverable           | ET SpC 3.52 | Appendix 10 |

**List of Gas Distribution Re-openers (Cadent SGN NGN WWU)**

|  |             |  |
|--|-------------|--|
| Small Decarbonisation Projects Re-opener   | GD SpC 3.4  | Please also refer to the separate Small Decarbonisation Projects Re-opener Governance Document |
| HSE policy   | GD SpC 3.13 |  |
| Heat Policy  | GD SpC 3.14 |  |
| Diversions and Loss of Development Claims  | GD SpC 3.15 |  |
| New Large Load Connections   | GD SpC 3.16 |  |
| Specified Streetworks Costs  | GD SpC 3.17 |  |
| General Reinforcements   | GD SpC 3.20 |  |
| Complex Distributions Systems  | GD SpC 3.22 |  |
| London Subways and Tunnels (Cadent North London only)                              | GD SpC 3.26 |  |
| Mandated Category 3 Security Price Control Deliverable and Re-opener (Cadent only) | GD SpC 3.30 |  |

**List of Electricity Distribution Re-openers (NGED NPg SPEN SSEN UKPN)**

|  |            |            |
|--|------------|------------|
| Electricity System Restoration Re-opener | ED SpC 3.2 |            |
| Environmental Re-opener                  | ED SpC 3.2 | Appendix 5 |
| Load Related Expenditure Re-opener       | ED SpC 3.2 | Appendix 7 |
| High Value Projects Re-opener            | ED SpC 3.2 | Appendix 8 |
| Physical Security Re-opener              | ED SpC 3.2 |            |
| Rail Electrification Costs Re-opener     | ED SpC 3.2 |            |
| Specified Street Works Costs Re-opener   | ED SpC 3.2 |            |
| Storm Arwen Re-opener                    | ED SpC 3.2 |            |

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|   |            |  |
|---|------------|--|
| Wayleaves and Diversions Re-opener            | ED SpC 3.2 |  |
| West Coast of Cumbria Re-opener – (ENWL only) | ED SpC 3.2 | Appendix 9   |
| Hebrides and Orkney – (SSEN only)             | ED SpC 3.2 |  |
| Shetland – (SSEN only)                        | ED SpC 3.2 |  |
| Net Zero Re-opener                            | ED SpC 3.6 | This document does not apply - Authority instigated only |

## Appendix 2 Coordinated Adjustment Mechanism (CAM) Re-opener Application Guidance

### **Content of Re-opener applications**

- A2.1 The Re-opener application should follow the guidance in the main document unless indicated otherwise below. Additional points in this appendix are to be taken as additional requirements to those in the main document.
- A2.2 Applications for this Re-opener must come from a single licensee, which may be either the licensee who was originally assigned the responsibility and associated revenues for the output or project deliverable and is proposing to reallocate the CAM activity ('Network A') or the licensee proposing to carry out a new activity in order to solve the original issue with greater overall value to consumers ('Network B').
- A2.3 Applications must contain a statement of agreement on the content of the Re-opener application between Network A and Network B which proposes to transfer responsibility for and associated revenue with the CAM activity.

### **Needs case and preferred option**

- A2.4 The requirements of paragraph 3.9 -3.17 in the main document do not apply to this Re-opener.

### **Demonstration of needs case / problem statement**

- A2.5 An application must provide a copy of the original justification, including the original needs case, for the existing planned activity that was submitted to the Authority, or through a recognised industry process.
- A2.6 An application must also provide the justification for the proposed alternative activity. This must include a CBA comparing the two activities, expected outputs and/or project deliverables related to the two activities, and year of delivery of the two activities.
- A2.7 The licensee must set out the overall value of the reallocation to the consumers of both Network A and Network B. The value comprises not only the quantifiable benefits (as set out below) but any additional value to consumers that is not necessarily quantifiable in financial terms such as benefits to the wider energy system and evidence of consumer support through stakeholder engagement.
- A2.8 The licensee must also demonstrate a net benefit to the relevant group(s) of consumers (further information on net benefits provided in paragraphs A2.15 – A2.24).

A2.9 The application must set out the problem that the alternative activity is designed to solve, including context, sites, risks, and how the proposed reallocation of RIIO-2 or RIIO-3 price control funds is in the best interests of future and existing consumers.

## **Cost information**

A2.10 Costs must be provided for both the existing planned activity and the proposed new activity.

A2.11 We recognise that an agreement between two licensees to submit an application under this Re-opener may incur costs related to the change of activity, such as foregoing potential gains under the Totex Incentive Mechanism, or adjustments to related outputs and/or project deliverables.

A2.12 Where this is the case, we acknowledge that licensees may negotiate compensation between themselves to recover these costs. An application must also contain the amount and the rationale of any such arrangement made between the applying licensee and the partner licensee, or state that none such arrangement has or will be made. Any such amount need not be included in the CBA assessment.

A2.13 The application must also set out which output conditions and/or performance-related payments will be affected by the change, for both the applying licensee and the partner licensee(s).

## **Cost benefit analysis (CBA) and engineering justifications**

A2.14 The requirements of paragraphs 3.24 and 3.25 in the main document do not apply to this Re-opener.

A2.15 We expect licensees to use the ‘Whole System Cost-Benefit Analysis’ framework once developed by the ENA in order to show that the reallocation of the output for consumers is in the best interests of future and existing consumers, referring to the User Guide and Methodology documents also developed by the ENA to support the CBA framework.<sup>15</sup> In the submission of any early projects in RIIO-3 and prior to the developments by the ENA, licensees are required to submit a suitable CBA template to evidence a CAM proposal.

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<sup>15</sup> These will be published on the Energy Networks Association website:  
<https://www.energynetworks.org/>

## Demonstrating net benefits to consumers

- A2.16 An application must demonstrate that there is an expected net benefit to consumers as a result of the proposed change. Depending on the type of licensees making the Re-opener application, licensees must identify relevant consumer groups affected, and the net benefit each is expected to gain.
- A2.17 For the CAM Re-opener, ‘electricity’ is a sector, so that electricity transmission and electricity distribution consumers are considered to be a single sector consumer group.
- A2.18 Similarly, ‘gas’ is a sector, so that gas transmission and gas distribution consumers are considered to be a single sector consumer group.
- A2.19 An application submitted by any combination of only electricity licensees must demonstrate a net benefit for all its consumers considered as one group, and not as two distinct sets of benefits allocated to each licensees’ specific network consumers.
- A2.20 Similarly, an application submitted by any combination of only gas licensees must demonstrate a net benefit for all their consumers considered as one group, and not as two distinct sets of benefits allocated to each licensees’ specific network consumers.
- A2.21 An application made by any combination of electricity and gas licensees (a cross-sector application) must demonstrate a net benefit to both electricity and gas consumers.

## Net benefits

- A2.22 For there to be a “net benefit”, the relevant energy sector’s consumers (i.e. gas consumers, or electricity consumers) must receive a net gain (that is quantifiable in financial terms). This must be as compared to the position immediately before the reallocation of price control revenues, even if that net benefit takes time to materialise.
- A2.23 An application must only demonstrate that there is a net benefit to the relevant energy sector’s consumers. The benefit to the relevant energy sector’s consumers need not be the primary benefit as consumers of other energy sectors, or sectors outside of energy, may receive greater benefits from the reallocation of the output.
- A2.24 Benefits are not restricted to actual project costs or savings between the original activity and the proposed new activity. Benefits may also include non-financial benefits (such as environmental benefits, or the carbon cost) that can be quantified in financial terms calculated under approved methodologies, such as any relevant RIIO-2 or RIIO-3 Ofgem CBA model, or the Green Book.
- A2.25 These, and other, methodologies have been incorporated into the ‘Whole System Cost-Benefit Analysis’ framework developed by the ENA, which we expect applications to

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use. This covers the main societal, environmental, emissions reductions and financial benefit types, but where additional benefit categories are relevant to the specific application being made, we expect the application to include these in the rationale and CBA, and explain why they are relevant.

## Appendix 3 Cyber Resilience Re-opener Application Requirements

### Introduction

- A3.1 This appendix should be used as guidance to assist network companies in preparing their Cyber Resilience Re-opener Applications (CRRA). This appendix provides guidance as to the types of evidence and level of detail that network companies must include when submitting CRRAs.
- A3.2 We expect each licensee to review its assets that are within the scope of the Network and Information Systems Regulations (NIS-R) and to refresh its cyber security risk assessments in preparation for the submission of a CRRA. For activities related to assets that are not subject to NIS-R, we would expect licensees to demonstrate the threat modelling or attack path scenarios it has devised to support the justification of investment via its CRRA.
- A3.3 There are two mechanisms to support investment in cyber resilience and we expect companies to assign the correct one for the type of investment they are seeking:
- PCD investments (for defined projects): set where companies can justify the business need, the specific needs case, preferred option and schedule, but there is uncertainty over the estimated cost to deliver. In this case, allowances will be awarded and monitored via PCDs.
  - Use It Or Lose It (UIOLI) investments (for uncertain projects): where a licensee can justify the overall business need and the specific needs case for a proposed project, but there is substantial uncertainty over the preferred option, schedule and cost which means a PCD cannot be set. In this case, we will consider awarding a UIOLI allowance. However, this will be by exception, and the needs case minimum requirements must be met which are outlined in the cyber section of this guidance document. If a UIOLI allowance is awarded, it will be capped at 20% of a licensee’s total allowances for cyber resilience.
- A3.4 Table 1 breaks down the information we expect in the business plan for the different types of investment in cyber resilience:

Table 1: Cyber Resilience Category Requirements

| Minimum Requirement |  | PCD Investments | UIOLI Investments |
|---------------------|--|-----------------|-------------------|
| Needs               | Summary and alignment with business strategy | ✓               | ✓                 |
|                     | Risk assessment                              | ✓               | ✓                 |
|                     | Optioneering                                 | ✓               | -                 |
| Delivery            | Governance and delivery model                | ✓               | -                 |
| Costs               | Qualitative explanation of value for money   | ✓               | -                 |

|  |                              |   |   |
|--|------------------------------|---|---|
|  | Quantitative totex breakdown | ✓ | - |
|--|------------------------------|---|---|

A3.5 Each CRRA must provide us with a clear overview of its Cyber Resilience programme and its investment requirements. The CRRA should be made up of:

- An overview document (maximum 30 pages) that includes:
  - (1) an executive summary (maximum two pages)
  - (2) an overview of proposed investments and allowances
- Cyber Resilience Business Plan Data Table (for the cost breakdown)
- Individual Cyber Resilience Investment Documents (CRIDs)
- NIS Self-assessment and Improvement Plan that includes:
  - (1) Overview & Scope
  - (2) Risk assessment
  - (3) Cyber Assessment Framework document
  - (4) Improvement Plan

## Cyber Resilience Investment Document (CRID)

A3.6 Companies should map projects and activities to the most relevant Cyber Assessment Framework (CAF) Principle. Examples of projects mapped to each CAF Principle can be seen in the NIS Supplementary Guidance and CAF Overlay for DGE Sector.<sup>16</sup> The projects linked to each primary CAF principle should then be placed within a single CRID. This means that the number of CRIDs is capped at 16 per company.

A3.7 Each CRID should include details of the needs case, delivery plans and the costs either at a programme or project level depending on what is most appropriate for companies to articulate its investment requirements. In the sub-sections below, we set out what the requirements are for each project in a CRID, covering the needs, delivery, and costs.

### Needs case: part 1 - summary and alignment with business strategy

A3.8 All programmes must include:

- how it supports the organisation to achieve its overall business objectives set out in its Business Plan, with a clear articulation of the linkage of key cyber risks to wider business risks;
- how it supports the organisation's cyber resilience strategy.

### Needs case: part 2 - risk assessment

A3.9 All programmes must include:

- an overview of the business and cyber risk assessment process and methodology used to identify the current risks facing the licensee's assets subject to the NIS-R;

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<sup>16</sup> [NIS Supplementary Guidance and CAF Overlay for DGE Sector TLPWhite.pdf](#)

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- how the consequences and impacts for the risks have been derived and are related to the assets in scope of NIS-R;
- how the level of cyber risk was calculated, including the risk severity in terms of likelihood and impact and the scale used to quantify and qualitatively assess the risk;
- why the current security and resilience controls are insufficient, where applicable;
- how the companies' risk tolerance affected the response decision;
- how the specific project would impact on the inherent, residual and target risk positions as well as how this will be monitored during and after project delivery.

A3.10 To support the risk assessment, companies should include an accompanying cyber security risk assessment aligned to our NIS guidance. We expect the risk assessment to reflect the risk, at an applicable level, that the licensee is seeking funding to mitigate. This should include:

- the consequences and impacts have been assessed and articulated as part of the rationale for the mitigation activities;
- risk mitigation activities will lead to a targeted risk reduction in line with company's risk appetite;
- acknowledgement and assessment of the impact cyber incidents may have on existing and future energy consumers.

## **Needs case: part 3 - options analysis and selection**

A3.11 Each PCD investment programme must include:

- an overview of the range of options identified, evaluated and assessed, with a clear presentation of the preferred option (where the options are limited for the chosen remediation, companies should articulate the rationale for presenting a reduced set of options);
- the methodology and/or standards used to identify the options considered and how these were shortlisted;
- resource consideration including any third-party vendors and contractors' requirements;
- volume of sites where preferred option would be delivered and/or where new people resources are required to deliver;
- information to demonstrate how and why the preferred project has been prioritised for investment at this point in time and how it has been considered against the targeted risk position;
- for uncertain outputs, network companies should include any feasibility evidence such as research and development output, technical studies, demonstrations, or design work.

## **Delivery**

A3.12 Each PCD investment programme must include:

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- the governance structure, including roles, responsibilities and number of resources required;
- a resource plan and organisational structure of the cyber security team and demonstration of capacity and capability to deliver the plan including how the outputs will be integrated into business as usual (where relevant);
- the scope, including its general objectives, site applicability, site criticality rating and justification and prioritisation;
- a detailed list of project constraints, project delivery risks and dependencies;
- programme outputs including any specific sub-deliverables (what specific products, solutions and technologies are being targeted for delivery);
- programme plan and timelines, such as a gantt chart, with defined year on year outputs;
- a description of how performance will be monitored, including key performance indicators and alignment with NCSC CAF contributing outcomes.<sup>17</sup>

## **Costs: part 1 - qualitative explanation of value for money**

A3.13 Each PCD investment programme must include:

- information to justify the allowance requested;
- a demonstration of how programme/project costs have been derived, including any cost benchmarking where available and where efficiencies have been identified;
- information on any procurement and tendering processes (and where these have not been undertaken competitively, what steps companies has taken to determine the efficiency of costs);
- an outline of any cost uncertainties and how this will be managed and/or mitigated including a timeline for when cost certainty is expected;
- information to demonstrate how the activities within the programme and/or project have been prioritised for investment at this point in time and how it has been considered against the targeted risk position;
- explanation of how the programme and/or project costs demonstrates clear value for money for customers.

## **Costs: part 2 - quantitative totex breakdown**

A3.14 Each PCD investment programme must include:

- a breakdown of the costs in the cyber resilience BPDT (see the BPDT guidance for more information on breaking down the costs within the template). PCD allowances which are requested within re-opener submissions will also need to be included in the Cyber Resilience BPDT;
- a proposed PCD for our review, which can be used to track allowances and outputs throughout the Price Control Period.

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<sup>17</sup> [https://www.ncsc.gov.uk/collection/cyber-assessment-framework/introduction-to-caf#section\\_3](https://www.ncsc.gov.uk/collection/cyber-assessment-framework/introduction-to-caf#section_3)

A3.15 We will cross-check allowances between different parts of the CRRRA to ensure costs are accurate and consistent. We encourage all companies to carefully check their requested allowances before submission to ensure they are correct.

## Appendix 4 Business Support Costs (BSC) Re-opener Application Guidance (ET only)

### Introduction

A4.1 This guidance is meant to support the application of SpC 3.14 BSC Re-opener: a Re-opener for TOs to apply for a direction to adjust the value of the Business Support Costs Re-opener term if the minimum threshold is reached.

### Materiality threshold

A4.2 The licensee will have to prove that the materiality threshold (unique to the BSC re-opener) in SpC 3.14.6 "Actual BSC expenditure [is] exceeding the baseline BSC allowance by at least 10% in a single Regulatory Year, in any Regulatory Year during the Price Control Period" has been reached. Information to be provided must include the following:

- Calculation (with supporting data) showing BSC expenditure exceeds baseline BSC allowance by at least 10% in that Regulatory Year; and
- Explanation of how the calculation has been implemented (e.g. assumptions, exclusions, inclusion of any one-off / atypical expenditure, etc.).

A4.3 For the avoidance of doubt and in line with SpC 3.14, the minimum threshold applies separately in each year of the Price Control Period. It is not cumulative across years. We illustrate how the threshold is intended to operate in the table below. In the example provided, the licensee would be able to make an application under SpC 3.14 after year 3, when the actual expenditure on BSC exceeds 10% of the baseline allowance (C is greater than E).

|                            |    | Y1  | Y2  | Y3  | Y4 | Y5 |
|----------------------------|----|-----|-----|-----|----|----|
| BSC Baseline allowance (A) | £m | 10  | 10  | 10  | 10 | 10 |
| Actual BSC expenditure (B) | £m | 9   | 8   | 18  | -  | -  |
| Over-(under) spend (C)     | £m | (1) | (2) | 8   | -  | -  |
| Minimum Threshold (D)      | %  | 10% | 10% | 10% | -  | -  |
| Minimum Threshold (E)      | £m | 1   | 1   | 1   | -  | -  |

A4.4 Once the materiality threshold is reached, the licensee can choose if and when to submit an application during the price control period. As specified in SpC 3.14.7, “[t]he licensee may submit only one application under paragraph 3.14.6 any time in the Price Control Period after meeting the threshold under paragraph 3.14.6”.

## **Need case**

A4.5 The licensee is required to demonstrate that the expenditure is needed in line with the general principles and information requirements applicable to all Re-openers, in accordance with Chapter 3 of this document. Therefore, the need case should:

- Demonstrate alignment with business strategy and commitments; and
- Include a statement of need / problem.

A4.6 The statement of need / problem should explain the drivers of the overspend and any projected increase in expenditure for the remainder of the period. It ought to include evidence of one or more of the followings:

- any cost pressure faced by the licensee (e.g. unexpected salary increases);
- need to size the organisation beyond the level implied in the baseline allowance (e.g. significant increase in major projects following CSNP);
- any reprofiling of a recruitment campaign (e.g. delaying planned hires to later years due to lower than expected activity levels).

A4.7 In addition to proving the expenditure was needed, the licensee is expected to illustrate mitigation measures considered and any action that was implemented to mitigate the increase in expenditure, and / or avoid the overspend in the first instance.

## **Options considered**

A4.8 The licensee continues to be required to provide evidence of the options considered in line with the general principles and the relevant information requirements applicable to all Re-openers. This includes:

- Demonstration of the options considered and selection process – e.g. new hire, outsourcing, automation, upskilling, reallocation of staff etc.; and
- Justification of the option(s) implemented – e.g. why are these the most suitable solutions?

## **Cost**

A4.9 In line with the general principles and information requirements applicable to all Re-openers in Chapter 3 of this document, the licensee should prove the following:

- **Additionality:** costs are additional to those funded in the baseline – e.g. need to size the organisation beyond the level implied in the baseline allowance to deliver strategy / business objectives, and / or substantial salary increases due to reasons outside the licensee's control.
- **Exclusivity:** costs are not funded by other means – e.g. another Uncertainty Mechanism.
- **Efficiency:** costs have been / will be efficiently incurred – e.g. salaries are consistent with external benchmarks.

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A4.10 In addition to the general requirements, the licensee's calculation of the overspend should exclude any Real Price Effects (RPEs) adjustment.

A4.11 The assessment process will be consistent with the general assessment process that will be implemented for all RIIO-3 Re-openers, in accordance with this document.

## Appendix 5 Environmental Re-opener Guidance (ED only)

### Introduction

A5.1 The Environmental Re-opener (EVR) Guidance is issued by the Authority under SpC 3.2 of the Electricity Distribution licence and sets out the process of this Re-opener.

### Scope

A5.2 The EVR may be triggered by the licensee during the Re-opener windows set out in SpC 3.2, where the licensee has incurred or expects to incur costs caused by new or amended legislative requirements that relate to the licensee's impact on the environment that are contained or could have been contained within the licensee's Environmental Action Plan (EAP).

### Process

A5.3 This section covers the process that the licensee will undertake when submitting a Re-opener application under the EVR. This should be read in addition to any general requirements set out in this Guidance document. In addition, we set out what the Authority will look into when assessing the scope of the Re-opener application.

A5.4 The licensee should submit a detailed Re-opener application which includes the information set out in paragraph 3.2.31 of the SpC 3.2 as well as the information provided in paragraph A5.6 of this appendix. The application must also relate to and/or take into account the requirements set in paragraph 3.2.32 of the SpC 3.2.

A5.5 The Authority, when assessing the scope of the EVR application, will take into account the relationship of the new or amended legislative requirement to the licensees' EAPs. Such legislative requirements may also be linked to areas that are closely linked to the EAPs and could have been contained in the EAPs. The Authority will consider the requirement of an EAP, as set out in the Business Plan Guidance.<sup>18</sup> In this case, the Authority will assess the importance and impact that these could have on the decarbonisation of the networks as well as the impact of licensee s activities to the environment.

A5.6 The EVR application should include the following information and evidence, as well as any other analysis or information that the licensee considers may be relevant to the Authority's consideration of the application:

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<sup>18</sup> Paragraph 3.33 to 3.35 RIIO-ED2 Business Plan Guidance

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- A full needs case including:
  - (1) why the new or amended legislative requirements relate to the licensee's impact on the environment that are contained within or could have been contained within the licensee's EAP.
  - (2) why is it appropriate for this to be funded by network consumers through this Re-opener.
  - (3) The timelines for the activities required for compliance, including why these activities should occur in RIIO-ED2 and their anticipated length.
  - (4) Justification that the activities required relate to EAPs or what could have been contained within the EAPs, the decarbonisation of the networks and the wider impact of licensee s activities on the environment, including:
    - An Engineering justification paper detailing cost information and a cost benefit analysis where relevant; and
    - A policy justification paper which explains why an adjustment to allowances is justified and how the proposal or proposed scope of work accomplishes the compliance obligation.

A5.7 The licensee's EVR application should demonstrate that the costs being sought cannot be and have not already been addressed in other ex ante allowances and do not fall within the scope of any other uncertainty mechanisms.

## Appendix 6 Digitalisation Re-opener Guidance

### Introduction

- A6.1 This appendix sets out the minimum requirements expected from licensees when making an application for additional costs under the Digitalisation Re-opener, in accordance with Part I of SpC 3.2 of the Electricity Distribution licence, SpC 3.7 of the Electricity Transmission and Gas Distribution licences, and SpC 3.7 of the Gas Transmission licence. This appendix, which should be read in addition to any general requirements set out in this Guidance document and in accordance with Part I of SpC 3.2 of the Electricity Distribution licence and SpC 3.7 of the Electricity Transmission, Gas Distribution and Gas Transmission licences, provides guidance as to the types of evidence and level of detail that licensees must include when submitting a Digitalisation Re-opener application, relating to the needs case and cost information.
- A6.2 There may be some projects/solutions where licensees will not be able to provide the necessary level of details listed within this appendix. In such instances, licensees must provide a justification for not providing all of the necessary information. We will consider if such explanations/submissions are sufficient for the Re-opener application on a case-by-case basis.

### Scope

- A6.3 The Digitalisation Re-opener may be triggered by the licensee during the re-opener windows set out in SpC 3.2 of the Electricity Distribution licence and SpC 3.7 of the Electricity Transmission, Gas Distribution and Gas Transmission licences, where the licensee has incurred or expects to incur costs as a result of any of the triggers set out in Part I of SpC 3.2 of the Electricity Distribution licence or SpC 3.7 of the Electricity Transmission, Gas Distribution and Gas Transmission licences.

### Needs Case

#### Alignment with overall business strategy and commitments

- A6.4 In addition to the requirements set out in paragraph 3.9-3.17 of the main document, the licensee must provide:
- its Digitalisation Strategy and Action Plan (DSAP)
  - evidence within the DSAP of the role it plays in facilitating the business to achieve its business objectives

#### Demonstration of needs case

- A6.5 In addition to the requirements set out in chapter 3 of this document, the licensee's problem statement must provide:
- The change in licensee roles and responsibilities requiring the use of this re-opener, if applicable.

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- the outputs arising from the investment which should be clearly linked to delivering their Digitalisation Strategy

## Appendix 7 Load Related Expenditure Re-Opener Guidance (ED only)

### Introduction

A7.1 This appendix covers the minimum requirements expected from licensees when making an Application for additional costs under the Load Related Expenditure (LRE) Re-opener, in accordance with Part K of SpC 3.2 (Uncertain costs and Re-openers) of the Electricity Distribution licence (which will be effective from 1 April 2023).

### Scope

A7.2 The LRE Re-opener can be triggered in relation to costs in the following cost categories, where these costs incurred or expected to be incurred, are caused by an increase in load on the network:

- CV1 - Primary reinforcement (including additional justification for flexibility services, if required)
- CV2 - Secondary reinforcement, excluding the areas covered by the LRE volume drivers
- CV3 - Fault level reinforcement
- CV4 - New Transmission Capacity Charges
- C2 - Connections.

### Application Requirements

A7.3 Licensees will be required to submit a two-part submission when making an LRE Re-opener application. This section details the areas of information the Authority will consider when reviewing an LRE Re-opener application.

#### Part 1- Overarching narrative

A7.4 LRE Re-opener applications should, in the first instance, be formed of a narrative which contains the following:

A7.5 Evidence that actual demand and Low Carbon Technology (LCT) uptake on the network has grown beyond the forecast demand set out in the 2021 System Transformation FES, that ex ante allowances were in-part set against.

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- Where actual or forecast demand or LCT uptake differ from the assumptions made in 2022 System Transformation FES details should be provided
- Where the location of LCT uptake differs from the assumptions and consequently the impact on the network differs, details should be provided.
- Where relevant a table which lays out a comparison between the assumptions made at the time ex-ante LRE allowances were set and the position at the time of Re-opener application should be provided.

A7.6 A high-level description and analysis of the changes to the licensee's LRE plans that have resulted from the growth in network demand.

- Where the differences in expenditure relate to a difference between actual demand and the initial forecast demand used to set ex ante allowances at the start of RIIO-ED2, a comparison between actual demand and the initial ex ante forecast demand should be provided alongside a narrative explaining the changes.
- Where the differences relate to an external driver, such as a change to Government or Regulatory policy, the licensee should provide a narrative explaining how the change has impacted reinforcement requirements.
- Where the difference relates to demand growth on the network arising at different locations, evidence of how this change has impacted reinforcement requirements should be provided.

A7.7 An explanation, and supporting data tables, which show how LRE ex ante allowances have been used to-date in RIIO-ED2 on a project-by-project basis (or, where relevant, a programme-by-programme basis), and that the LRE ex ante allowances provided are not sufficient to complete the work required to keep pace with network demand. Licensees must demonstrate that the allowances being sought through the LRE Re-opener could not have been funded by the licensee's LRE ex ante allowances and do not fall within the scope of SpC 3.9 (LRE Volume Drivers) or any other uncertainty mechanism

A7.8 A forecast for LRE for the whole of RIIO-ED2 should be provided in detail, as should any planned works that have been temporarily or permanently deferred.

## Part 2 - Project specific justification papers

A7.9 The second part of the licensee's application must be formed of project specific Engineering Justification Papers (EJPs).

A7.10 The Authority will only review these EJP's if part 1 of the LRE Re-opener submission, described above, is satisfied.

A7.11 For the following cost categories, the licensee must submit an EJP for each specific project (or in the case of CV2, an EJP for the programme of works) that it intends to undertake:

- CV1 – Primary reinforcement (including additional justification for flexibility services, if required)

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- CV2 – Secondary reinforcement, excluding the areas covered by the LRE volume drivers
- CV3 – Fault level reinforcement
- CV4 – New Transmission Capacity Charges,

A7.12 For C2- Connections, the licensee must provide an EJP to show, at a programme level; the change in nature and/or number of connection requests received and progressing to construction are exceeding the forecast provided by licensees in their RIIO-ED2 business plan submissions, and what the drivers of this difference are.

A7.13 Additional costs resulting from Access SCR can also be assessed under the above cost categories, and we expect that these will be embedded within those cost categories rather than separately identified.

A7.14 In addition to the RIIO-ED2 EJP guidance, the sections below provide additional targeted guidance on the information that we expect to see contained within each justification paper for cost categories CV1 to CV4.

### **Targeted guidance**

A7.15 Licensees' project specific EJPs should adhere to the following format:

- Demonstrate that the need for investment is substantiated against a range of plausible planning scenarios
- Demonstrate a structured options development process
- Detail the proposed investment scope, cost, risk and benefits.

### **Optioneering**

A7.16 In addition to the guidance in Chapters 1-4 of this document, for the LRE Re-opener, licensees should provide a detailed analysis on options considered. The detail of the optioneering may vary depending on the expenditure areas and whether they are driven by specific projects on the primary network, programmes of work on the secondary network or in response to customer connection activity. Analysis should include:

- A description of the approach to reinforcement, drawing out how this is managing the risk of foreclosing possible future demand scenarios, including more highly electrified pathways to meeting net zero targets;
- A detailed description of the balance of investment to be undertaken and how this is broken down across the voltage levels (i.e., named schemes for 132kV & EHV and programmes of work for HV and LV solutions);
- A description of the process for identifying and assessing credible network reinforcement options;
- A description of the key assumptions made within the overall approach regarding the use of flexibility services and the use of data and monitoring to inform future investment timing;

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- A detailed description of solutions benefits, timing and risks as well as the impacts of the strategy across multiple price control periods. For instance, where investment has been deferred or brought forward and any consequent impact on future deliverability;
- An explanation of approaches for the development of options considering synergies with other load and non-load network needs. This will include how options are created to avoid inefficient disruptive piecemeal development and highlight any proposed investment ahead of need.

### Forecast

A7.17 Where appropriate licensees should continue to clearly identify the building blocks of their forecasting approach, e.g. how the forecast has been informed by the Future Energy Scenarios and Committee of Climate Change assumptions and alternative scenarios considered in the investment plan. Where appropriate, reference should be made to published Distribution Future Energy Scenario reports.

### Network Impact

A7.18 Licensees should clearly identify any changes in network impact and provide an assessment of those changes. That assessment must set out a clear comparison between initial network impact and any new network impact, along with reasons explaining any significant changes. Any constraints on the networks as a result of these changes should be identified.

A7.19 Licensees must explain how any new scenarios included in the assessment will impact projected demand levels and include an update to the range of uncertainty. This explanation should include an assessment of current available capacity on the network versus initial capacity on the network (as submitted as part of the licensees RIIO-ED2 business plan). When providing detail of network impact, established metrics should be used and key drivers clearly outlined.

A7.20 As a minimum, the factors used to identify the need for network interventions should be detailed along with the associated thresholds, for example XX% of thermal ratings and XX% of short circuit ratings. Key assumptions should be detailed, especially when used in the absence of measured data.

## **Strategic Investment**

A7.21 Through the LRE Re-opener, licensees can also request additional allowances for Strategic Investment, i.e., investment which enables enhanced capacity on the Distribution System to be deployed in the short term in anticipation of expected longer term need. This may be needed to ensure no future net zero pathway is foreclosed or to ensure deliverability in the future, helping to keep longer term costs as low as possible for consumers.

A7.22 Where the licensee is proposing Strategic Investment, this should be clearly identified within the Re-opener application.

A7.23 Where the Authority approves a Strategic Investment project through the LRE Re-opener this will likely be set as a Strategic Investment Evaluative Price Control Deliverable (PCD) under SpC 3.3 and will be subject to the general PCD assessment principles set out in the PCD Reporting Requirements and Methodology Document.

## **LRE Closeout Adjustment**

A7.24 Although not directly relevant to the operation of the LRE Re-opener, this section sets out our intended arrangements for enacting paragraph 3.18 of the Authority's RIIO- ED2 Final Determinations Core Methodology Document. Paragraph 3.18 sets out that during RIIO-ED2 Closeout<sup>19</sup> the Authority may propose an adjustment to a licensee's Ex Ante LRE Non-variant Allowance<sup>20</sup> if the licensee's LRE Closeout Expenditure<sup>21</sup> during the Price Control Period is less than 80% of its Ex Ante LRE Non-variant Allowance.

A7.25 The Authority may only make modifications to a licensee's Ex Ante LRE Non-variant Allowance during RIIO-ED2 Closeout where the licensee has incurred LRE Closeout Expenditure that is less than 80% of Ex Ante LRE Non-variant Allowance.

A7.26 The Authority will, as soon as reasonably practicable after the end of the Price Control Period, undertake initial analysis to assess whether the licensee must provide further information to assist the Authority in determining whether allowance adjustments may be merited. If the Authority's initial analysis suggests that the licensee's actual LRE Closeout Expenditure may have fallen below 80% of the licensee's Ex Ante LRE Non-variant Allowance, the Authority will request information from the licensee regarding the extent to which the underspend arises due to factors such as efficiency savings or innovative solutions.

A7.27 A8.27 Once the requested information has been obtained from the licensee, the Authority will undertake the following calculation, expressed as a percentage, to determine whether the licensee has incurred LRE Closeout Expenditure that is less than 80% of Ex Ante LRE Non-variant Allowance:

$$\text{LRE Closeout Expenditure} / \text{Ex Ante LRE Non-variant Allowance}$$

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<sup>19</sup> Prior to RIIO-ED2 Closeout the Authority will consult on its closeout methodology, which will include consultation on the detailed workings of how the Authority will action changes to a licensee's Ex Ante LRE Non-variant Allowance during RIIO-ED2 Closeout.

<sup>20</sup> For the purposes of the Closeout Adjustment Ex Ante LRE Non-variant Allowance is the five-year allowance set out in Appendix 2 to SpC 3.2 plus any additional allowances granted through the LRE Re-opener that is set in Appendix 1 to SpC 3.2, adjusted for the effect of Real Price Effects using the annual Real Price Effects Index values calculated in line with the methodology in Chapter 5 of the ED2 Price Control Financial Handbook.

<sup>21</sup> LRE Closeout Expenditure is actual Load Related Expenditure for the Price Control Period that does not fall within the scope of SpC 3.9 (Load Related Expenditure Volume Drivers) but excludes any expenditure that is subject to separate Price Control Deliverables. It is calculated in 2020/21 prices, on a net basis which offsets customer contributions against gross expenditure, plus an adjustment for any such expenditure avoided, or that may reasonably be expected to be avoided, as a result of factors such as efficiency savings or innovative solutions.

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A7.28 If this calculation returns a value that is greater than or equal to 80%, the Authority will not take any further action. If this calculation returns a value that is less than 80%, the Authority will consider whether an allowance adjustment is merited.

A7.29 The quantum of any allowance adjustment to a licensee's Ex Ante LRE Non-variant Allowance during RIIO-ED2 Closeout will not exceed:

$$\text{LRE Closeout Expenditure} - \text{Ex Ante LRE Non-variant Allowance} + (0.2 \times \text{Ex Ante LRE Non-variant Allowance})$$

A7.30 When deciding whether it is appropriate to make an LRE Closeout Adjustment, the Authority will:

- have regard to the basis on which the Ex Ante LRE Non-variant Allowance values were determined;
- consider whether the licensee's Load Related Expenditure has fallen outside any Specific Customer Funded Reinforcement Percentage Band under SpC 3.11; and
- take no account of the general financial performance of the licensee under the arrangements set out in the Special Conditions of this licence.

A7.31 The following modifications to the licensee's Ex Ante LRE Non-variant Allowance can be made during RIIO-ED2 Closeout:

- modifications to the Ex Ante LRE Non-variant Allowance set out in Appendix 2 of SpC 3.2 or modifications to the LRE term in SpC 3.2; and
- modifications confined to allowances for Regulatory Years commencing on or after 1 April 2023.

A7.32 Any modifications to the licensee's Ex Ante LRE Non-variant Allowance during RIIO-ED2 Closeout will be made under section 11A (modifications of conditions of licences) of the Act.

## Appendix 8 High Value Projects Re-opener Guidance (ED only)

### Introduction

A8.1 High Value Projects (HVPs) in RIIO-ED2 are defined as discrete non load projects valued at more than £25m (in 2020-21 prices) in RIIO-ED2. HVPs are discrete projects with specific deliverables. Given that their size and nature could involve a degree of uncertainty, we included provisions for Ofgem to review the licensee's HVP expenditure, as well as a Re-opener window for licensees to propose new HVPs within the Price Control Period.

### Scope

A8.2 The HVP Re-opener will cover new projects that were not known about when the Authority made its RIIO-ED2 Final Determinations, as well as projects that were known about but that were not included in baseline allowances. Where a licensee triggers the Re-opener within the price control, schemes will be reviewed on a project-by-project basis, through an assessment of whether total expenditure for that HVP meets the £25m threshold (in 2020/21 prices), and that no adjustments would be made on account of existing projects.

A8.3 Any project that does not meet the relevant criteria (i.e., that costs less than £25m) will not be eligible for additional, discrete funding, and the overall costs of this would be subject to the Totex Incentive Mechanism. Therefore, if a licensee were to subdivide a project, it would bear a proportion of these costs rather than being provided with additional allowances. We believe this provides a robust framework for ensuring HVPs are assessed and delivered where they are in consumers' interests.

## Appendix 9 West Coast of Cumbria Re-opener Guidance (ENWL only)

### Introduction

A9.1 This section covers guidance on the minimum requirements expected from ENWL when making an application for additional costs under the terms of the West Coast of Cumbria (WCC) Re-opener, in accordance with Part N of SpC 3.2 (Uncertain costs and Re-openers) of the Electricity Distribution licence (which will be effective from 1 April 2023).

### Ongoing engagement

A9.2 The licensee must apply reasonable endeavours to ensure that the Authority is kept informed of any material developments it is aware of with regards to new nuclear generation projects at the Moorside Nuclear Site. This includes National Grid and ENWL's associated plans for connecting new nuclear generation at the Moorside Nuclear Site, and the associated potential cost implications for ENWL's network.

### Triggering the Re-opener – requesting Moorside Pre-Construction

#### Funding

- A9.3 In order to initiate the West Coast of Cumbria Re-opener for funding the costs associated with early design, feasibility studies, consenting work and any other necessary activities on a project to connect new nuclear generation at the Moorside Nuclear Site, ENWL's should liaise directly with the Authority, and provide evidence that at least one of the events set out in paragraph 3.2.97(a) of the licence has occurred.
- A9.4 Should the licensee or National Grid ESO accept an application for connection at the Moorside Nuclear Site, which the licensee considers warrants the commencement of early work on the connection, the licensee should submit a written request for Ofgem to trigger the Re-opener, setting out:
- a. Any request for Moorside Pre-Construction Funding that will be included as part of a Re-opener application. Moorside Pre-Construction Funding is the funding required to develop a project to connect new nuclear generation at the Moorside Nuclear Site, to the point that consents are obtained, and the connection project is ready to begin construction.
  - b. The licensee's best view of its proposed timetable of works on the connection project.

- c. A request for the Authority to confirm future indicative timing of triggering the West Coast of Cumbria Re-opener.

A9.5 Where the Authority decides to trigger the Re-opener, ENWL's Re-opener application must provide the information set out in paragraph 3.2.99 of the licence and demonstrate that the costs being sought have not already been addressed in ex ante RIIO-ED2 allowances and do not fall within the scope of any other UMs.

### **Triggering the Re-opener – requesting any other funding (including Moorside Pre-Construction Funding)**

A9.6 In order to initiate the West Coast of Cumbria Re-opener for funding the full construction costs (including indirect costs) associated with a project to connect new nuclear generation at the Moorside Nuclear Site, the licensee should liaise directly with the Authority, and provide evidence that at least one of the events set out in paragraph 3.2.97(b) of the licence has occurred.

A9.7 Following review of that evidence the Authority will notify ENWL of whether, and when, it intends to trigger the Re-opener.

A9.8 If the Authority decides to trigger the Re-opener, ENWL's Re-opener application must demonstrate that the costs being sought have not already been addressed in ex ante RIIO-ED2 allowances and do not fall within the scope of any other UMs.

A9.9 ENWL's Re-opener application must provide the information set out in paragraph 3.2.99 of the licence. That will require the inclusion of the following information, or a statement setting out the reason why the item isn't relevant or applicable in the circumstances, as well as any other analysis or information that the licensee considers is relevant:

- A description of the work the licensee has carried out or proposes to carry out in association with new nuclear generation seeking to connect at the Moorside Nuclear Site. This description must include detail of the plans for the licensee's works, such as project timeline, project development plans, planning consent details and status, stakeholder management plans, details of the construction programme and a scheduled completion date.
- Details of any interactions with all associated projects or infrastructure (i.e., the Transmission Network or relevant National Grid projects in Cumbria) clearly outlining the relationship and associated effects.

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- A detailed description of the associated costs for each Regulatory Year, including evidence of how in aggregate across all years they meet the Materiality Threshold.
- The basis of calculation for the changes to the licensee's allowed level of expenditure.
- Information regarding the cost of work incurred or expected to be incurred, in association with new nuclear generation seeking to connect at the Moorside Nuclear Site, such that the Authority can determine its efficiency. Please consider information on detailed design works, the licensee's supplier procurement and tender procedures, forecast costs on a year-by-year basis, and a breakdown of the forecast costs.
- A description of the potential risks associated with delivery of new nuclear generation seeking to connect at the Moorside Nuclear Site that might impact on project costs and ENWL's associated risk management strategy.
- A description of how ENWL has considered the risk and costs associated with connecting the Moorside Nuclear Site to the transmission system and how this will be shared appropriately between the licensee, its consumers and, if relevant, National Grid.
- A description of any changes (including savings) to its Transmission Connection Point Charges.
- An explanation of how the licensee has ensured that charges to National Grid are economic and efficient (taking account of the interests of electricity consumers generally).
- A description of any revisions that the licensee considers should be made to its Network Asset Risk Metric as a result of its project to connect new nuclear generation at the Moorside Nuclear Site, and an explanation of why those revisions are necessary.

## Appendix 10 Bespoke, Non-Load Related Major Projects and Property Re-openers, (NGET only)

### Introduction

A10.1 This appendix sets out guidance for NGET’s bespoke re-openers and covers a number of licence conditions. The intent is to provide guidance on the evidence required to be included in applications under the relevant re-openers to aid our review of those applications.

### Applicable Re-openers

A10.2 The following Re-openers are included in this guidance:

| <b>Bespoke</b>                              | <b>Major Projects</b>                                 | <b>Property Re-Openers</b> |
|---|---|----------------------------|
| NGET V-String Busbar Replacements Re-opener | Fawley Substation & Fawley-Chilling Cable Replacement | Alpha Property             |
| NGET Reactive Compensation Re-opener        | Severn Crossing Cable Replacement                     | Beta Property              |
|   | Barking Substation Replacement                        |                            |
|   | St Johns Wood 275kV Rationalisation                   |                            |
|   | West London Cables Strategy                           |                            |
|   | LPT2 Decommissioning                                  |                            |
|   | Kirkstall A - Skelton Grange Cable Project            |                            |
|   | Substation Cables Portfolio                           |                            |

### Bespoke Re-openers

A10.3 For NGET’s V-String Busbar Replacements we expect NGET to complete the five Trial sites which are included in baseline. When the licensee has demonstrated that five trial site V-String replacement works have been completed, the

Authority will invite the licensee to apply for a modification to Appendix 1 and Appendix 2 under SpC 3.51.8.

A10.4 NGET may use templates similar to that used for EJPs in RIIO-ET3 business plan guidance. Specifically, for the high volume asset data the Portfolio EJP template may be used. Where there is supporting narrative and evidence, the Atypical EJP Template may be used.

A10.5 Where considering Early Asset Write Off (EAWO) a CBA may be produced, where the workings tables should show the considerations on a site-by-site basis with supporting data.

### **NLRE Major Projects**

A10.6 For NGET's NLRE Major Projects we expect the condition scoring of assets which are listed for intervention to be proportionate to the investment proposed.

A10.7 NGET may use the Major Projects template from the RIIO-ET3 business plan guidance, or the Load Related Re-opener templates from the Load Related Re-opener guidance. While PASE applies to the Load Re-opener and is not intended to directly apply to NLRE, we encourage NGET to apply a similar approach for NLRE projects in considering applicable elements of PASE.

### **Property Re-openers**

A10.8 For NGET's Property Re-openers we expect NGET to holistically consider its entire estates strategy when applying under both the Alpha and Beta Re-openers.

A10.9 Given the range of the different types of works included within the Alpha and Beta NGET may use both the Atypical and Portfolio EJP Templates where applicable.

## Appendix 11 Authority assessment process

### Introduction

A11.1 This appendix sets out an indicative framework that is intended to ensure that our decision-making process for Re-openers is as agile, efficient, and proportionate as is reasonably practicable. We are using several tools to do this, including:

- publishing this Re-opener Guidance and Application Requirements Document
- establishing a Re-opener application pipeline log
- providing for pre-application engagement with licensees
- pre-acceptance screening of applications
- a process for supplementary questions
- a proportionate approach using appropriate levels of scrutiny for individual applications
- a gateway style approach where appropriate.<sup>22</sup>

A11.2 Our objective is to make Re-opener decisions in accordance with our principal objective and statutory duties. Our assessment process is designed to deliver the majority of decisions within six months after a Re-opener application has been received. However, we recognise this may not always be possible.

A11.3 This appendix also provides information on additional Re-opener windows and Authority instigated Re-openers.

A11.4 The following Re-openers have their own specific processes and timescales set out in separate documents that should be read in conjunction with this document:

- Small Decarbonisation Projects Re-opener;
- Load Re-opener (ET only);
- CSNP Re-opener (ET only) and
- Funded Incremental Obligated Capacity (FIOC) Re-opener (GT only).

### Stages in the indicative assessment process

A11.5 Table A11.1 below summarises the various stages of our indicative assessment process. The rest of this appendix explains each stage of the process in greater detail.

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<sup>22</sup> For example, gas transmission compressor and major asset health projects will follow a four step Project Assessment Process (GT PAP).

Table A11.1: Stages in the indicative assessment process

|  |   |
|--|---|
| Stage 1: Engagement  |   |
| 1a. Re-opener application pipeline log                             | Re-opener application pipeline log to be updated at least annually.<br><br>Discussions expected at least three months before an application window opens.   |
| 1b. Pre-application engagement                                     | The nature and timeframe of engagement will depend on the specifics of the Re-opener under discussion.  |
| Stages 2 – 5: Assessment   |   |
| 2. Application window for submission opens                         | The level of scrutiny applied to an application will be proportionate to the materiality of the application and the complexity of the decision.   |
| 3. Screening checks  |   |
| 4. Assessment, including:<br>4a. Supplementary question<br>Process |   |
| 5. Policy consultation   |   |
| Stages 6 – 7: Direction or Statutory Consultation                  |   |
| 6. Proposed Direction or Statutory Consultation                    | Content of proposed and final direction set out in licence conditions. If Re-opener is subject to a Statutory Consultation as set out in the licence conditions, this will be published instead of a proposed direction, setting out the proposed licence modifications.  |
| 7. Direction issued or decision on Statutory Consultation          | Direction published at the time it is made (not at the time of the AIP). If a Statutory Consultation has been issued (where Re-opener is subject to one as per the licence conditions), we will consider consultation responses and issue a decision setting out any licence modifications. Any modifications will take effect not less than 56 days after the decision is published. |

|                               |  |
|-------------------------------|--|
| 8. Publishing allowed revenue | Direction must be issued by 31 October to be reflected in Annual Iteration Process of that year. |
|-------------------------------|--|

### Stage 1a: Re-opener application pipeline log

A11.6 Ofgem will develop and issue a pipeline log template(s) to licensees to be completed and returned periodically. The regularity and timing of submission is to be agreed. Licensees will be required to provide their reasonable and realistic view of future re-opener applications.

A11.7 The principal purpose of the Re-opener application pipeline log is to allow us to forecast the likely pattern of Re-opener applications. This will assist us in planning the appropriate internal and external resources to process these Re-openers in a timely and efficient manner, and will inform pre-application engagement. Not only will we gain an understanding of the flow of applications but also the likely materiality and complexity of these applications.

A11.8 In addition, the Re-opener application pipeline log will provide licensees with an opportunity to forecast Re-opener PCFM Variable Values in the Price Control Financial Model (PCFM).<sup>23</sup> As a consequence, Allowed Revenue forecasts for future years are intended to reflect the likely impact of Re-opener applications prior to the submission of an application or a Direction being issued.

A11.9 These forecast Re-opener PCFM Variable Values will be updated each year following submission of the Regulatory Reporting Pack until final values are assigned by the issue of Directions or not as the case may be. Final Re-opener PCFM Variable Values will be adjusted to take account of the effect of an appropriate measure of the Time Value of Money<sup>24</sup> on the variance between forecast values and any Direction.

A11.10 Licensees are encouraged to update their Re-opener pipeline log (submitting and discussing updates with Ofgem as necessary) submission at any point in the Regulatory Year should there be material changes that would impact the principal purpose of the pipeline log. However, if updated outside of the annual Regulatory Reporting Pack submission, these updates cannot be reflected in the PCFM.

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<sup>23</sup> A licensee will have the option of individual forecast values provided in the Re-opener application pipeline log not being reflected in the PCFM due to the level of uncertainty associated with the forecast.

<sup>24</sup> Time Value of Money has the definition given in the Price Control Financial Handbooks (PCFH) for ED2, ET3, GT3 and GD3.

## Stage 1b: Pre-application engagement

A11.11 The objective of the pre-application engagement process is to:

- enable us to get a clear understanding of how effective a future Re-opener application is likely to be with respect to answering each of the questions set out in Chapter 3, paragraph 3.1
- allow us to get a clear understanding of the internal and external resources necessary to process the application
- enable the licensee to test the evidence intended for inclusion in the application against the questions set out in Chapter 3, paragraph 3.1.

A11.12 The appropriate timing, and extent, of the pre-application engagement will vary depending on the specific nature of the Re-opener application being discussed. We expect licensees to initiate discussions with us no later than three months prior to an application being submitted. We expect that the information provided in the Re-opener application pipeline log will provide a starting point for these discussions.

A11.13 None of the discussions during this pre-application engagement will commit either party during the later stages of the assessment process.

A11.14 Should experience from pre-application engagement suggest that it would be helpful we may develop a more structured engagement process.

## Stage 2: Application window for submission

A11.15 The licensee must submit its Re-opener application during the application window as set out in licence conditions.

## Stage 3: Screening checks

A11.16 Upon receipt of an application, we will conduct screening checks to ensure that it is valid and can proceed through the subsequent stages. An application that has been rejected may be submitted during another application window, assuming it fulfils the relevant criteria. An application will be deemed to be invalid if it does not:

- comply with the requirements of relevant licence conditions
- comply with the requirements set out in this Re-opener Guidance and Applications Requirements document including relevant Appendices.

## Stage 4: Assessment

A11.17 The main body of this document sets out the process for our assessment of re- openers.

## Stage 4a: Supplementary question (SQ) process

A11.18 The SQ process is intended for clarification purposes only. Licensees should not expect to use it as a means of submitting additional information that the original Re-opener application should have included and is missing. It is not our intention to use the SQ process as a means of working up weak or poor-quality applications. This Re-opener Guidance and Application Requirements Document is to assist licensees in preparing their applications. In combination with pre-application engagement this provides licensees with the assistance they require to submit high quality applications.

A11.19 To aid the agility of the process, licensees are expected to respond to an SQ within five working days unless otherwise specified by us.

## Stage 5: Policy consultation

A11.20 We anticipate that a separate policy consultation stage will be necessary for most Re-opener applications.

## Stage 6: Proposed direction or Statutory Consultation

A11.21 As set out in the relevant licence condition for each Re-opener mechanism, before making a direction, we will publish on our website:

- the text of the proposed direction
- the reasons for the proposed direction<sup>25</sup>
- 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.<sup>26</sup>

Where a Re-opener is subject to a Statutory Consultation, as set out in the licence conditions, we will issue a Statutory Consultation setting out our proposed licence modifications.

## Stage 7: Direction or decision on Statutory Consultation

A11.22 We will issue a direction, setting out our decision, following consideration of consultation responses received in Stage 6. As set out in the relevant licence condition for each Re-opener mechanism, we will publish on our website:

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<sup>25</sup> Our reasons will generally include our assessment of the needs case for the proposed project, our assessment of the options and justification for the proposed project and our assessment of the efficient costs of the proposed project.

<sup>26</sup> The process described here is the self-modification direction process which is used for most Re-openers in the RIIO price control. However, there are some Re-opener decisions that are subject to statutory consultation. The statutory process is set out in the Electricity Act 1989 and the Gas Act 1986.

- the text of the direction
- the reasons for the direction.

A11.23 The direction will be issued as soon as reasonably practicable to provide certainty to the licensee and will not be withheld until the time of the Annual Iteration Process.

If a Statutory Consultation has been issued (where Re-opener is subject to one as per the licence conditions), we will consider consultation responses and issue a decision setting out any licence modifications. Any modifications will take effect not less than 56 days after the decision is published.

## **Additional Re-opener windows and Authority instigated Re-openers**

A11.24 The Re-opener licence conditions may provide either or both of two relevant options.

A11.25 The first option is to direct additional Re-opener windows, allowing licensees to submit applications. Where this happens, the process for assessing any application submitted during this window will be as per Stages 2 to 8 of this Re-opener application assessment process document. It may be appropriate to exercise this option in situations where we believe that it is in the consumers' interests to provide licensees with an additional opportunity to submit Re-opener applications. Prior to any such direction we would discuss the option with relevant stakeholders. For example in a situation where external factors have led to the relevant project not being sufficiently advanced to allow a well evidenced application to be made during the window specified in the licence and we consider it is in the interest of consumers to allow a later submission.

A11.26 The second option is an Authority instigated Re-opener. The licence conditions stipulate the specific circumstances in which we can choose this option. With this option we would be likely to use our existing information gathering powers to obtain any further evidence we deem necessary to make a decision whether or not it is appropriate to issue a direction amending outputs, delivery dates or allowances. Should this option be utilised we would, where appropriate, follow the principles on which this indicative re-opener assessment process is based. In particular, a proportionate approach to the information requested and level of analysis. We may also follow the various stages set out in Table A11.1 above.

## Appendix 12 Redaction Policy

Appendix 12 has been published as a separate document.

## Appendix 13 Asset Health Re-opener (GT and GD)

### **Scope**

- A13.1 Applications under the Asset Health Re-opener must include a completed Engineering Justification Paper (EJP).
- A13.2 The data template must be completed in accordance with the relevant Engineering Justification Paper guidance and template documents.
- A13.3 Applications that do not include the completed data will be considered incomplete and maybe regarded as invalid.

## Appendix 14 Network Capability Re-opener

### Scope

- A14.1 Applications under the Network Capability Re-opener must, where reasonably possible, demonstrate how the National Transmission System (NTS) can be, or has been, optimised to deliver required network capability.
- A14.2 Evidence submitted under system planning processes (including ANCAR and GNCNR) may be used to demonstrate, where reasonably possible, whether demand can be met, but must be supplemented by analysis that demonstrates how the NTS is operationally configured to deliver that capability.
- A14.3 We expect that any underlying assumptions from the analysis will be presented, and the state of network (e.g. fully intact) be clear when making comparisons about delivering licence obligations.
- A14.4 Applications must include analysis of operational optimisation:
- i) compressor dispatch, and
  - ii) network operating configuration.
- A14.5 Applications must explicitly consider the emissions performance associated with proposed operational configurations across the NTS.

## Appendix 15 Network decarbonisation and emissions compliance Re-opener

### **Introduction**

- A15.1 Applications under the Network decarbonisation and emissions compliance Re-opener must quantify the expected reduction in greenhouse gas emissions attributable to the proposed investment.
- A15.2 We expect NGT to demonstrate operational strategies that will minimise impacts to the environment while creating value to the consumer.
- A15.3 Applications must include an assessment of the cost-effectiveness of emissions reduction, expressed relative to the emissions abated. This assessment must demonstrate that the investment has been considered alongside reasonable alternative options and represents an efficient means of delivering emissions reductions.
- A15.4 Emissions and cost-effectiveness analysis must be undertaken over a credible operational lifetime, reflecting expected network transition, rather than full technical design life.