



Making a positive difference
for energy consumers

To: All holders of the electricity distribution licence

**Electricity Act 1989
Section 11A(1)(a)**

Modification of the special conditions of the electricity distribution licence held by all licensees

1. Each of the licensees to whom this document is addressed is the holder of an electricity distribution licence ('the Licence') granted or treated as granted under section 6 (1) of the Electricity Act 1989 ('the Act').
2. Under section 11A(2) of the Act the Gas and Electricity Markets Authority ('the Authority')¹ gave notice on 2 February 2026 ('the Notice') that we propose to modify the existing Special Conditions 1.2 and 3.2 of the Licence. We stated that any representations to the modification proposal must be made on or before 2 March 2026.
3. A copy of the Notice was sent to the Secretary of State in accordance with section 11A(4)(b) of the Act, and we have not received a direction that the change should not be made.
4. We received six responses to the Notice from all six Distribution Network Operators (DNOs), which we carefully considered. We have placed all non-confidential responses on our website.
5. It is necessary to make a number of alterations to the modifications set out in the Notice. These alterations are shown in yellow highlight in the attached Schedule 1. The reasons for any differences between the modifications set out in the Notice and the modifications reflected in Schedule 1 are to address concerns raised in consultation responses and to improve clarity.
6. All DNOs raised concerns about the principle of applying Price Control Deliverables ('PCDs') across all RIIO-2 re-openers. We have carefully considered these concerns and decided that further engagement with DNOs is needed before making any changes that would enable PCDs to apply generally under Special Condition 3.2. Accordingly, in this decision we have limited the effect of the licence changes so that any extension of PCDs under Special Condition 3.2 applies only to the 2025 re-opener allowances.
7. The effect of these proposed modifications is to enable the 2025 re-opener allowances under SpC 3.2 to be subject to PCDs, in line with our Final Determinations for the Load Related Expenditure (LRE) Re-opener and Hebrides and Orkney (HOWSUM) Re-opener dated 12 December 2025.
8. PCDs can be put in place to ensure companies are held to account to deliver specific outputs. If an output is not delivered or delivered to a specific standard, there is then a mechanism in place to refund customers. Where there are cost and volume uncertainties around certain network activities, PCDs allow funding to be allocated for these works but protect consumers against unspent allowances. ENWL and SSEN have submitted forecasted costs in their 2025 applications for the remaining years of the price control. Although allowances set during the price control through re-openers are more certain than the alternative of setting them as baseline ahead of the price control, some uncertainty remains. There is therefore a risk that consumers bear the risk of unspent allowances due to non-delivery or under-delivery of an activity or project funded through a re-opener. The PCD mechanism is a way to mitigate this risk and protect consumers from unnecessary costs.²

¹ The terms "the Authority", "we" and "us" are used interchangeably in this document.

² More detail on PCDs can be found in Chapter 7 of RIIO-ED2 FDs - [RIIO-ED2 Final Determinations | Ofgem](#)

9. As part of our RIIO-ED2 Re-opener 2025 Final Determinations, we proposed that the projects funded under the LRE and HOWSUM Re-openers be subject to individual evaluative PCDs. This is because considering the importance of these projects, evaluative PCDs are the most effective way to ensure that these projects are delivered on time and within budget.
10. Where an application for permission to appeal our decision is made to the Competition and Markets Authority (CMA) under section 11C of the Act, Rule 5.6 of the Energy Licence Modification Appeals: Competition and Markets Authority Rules³ requires that the appellant must send to any relevant licence holders who are not parties to the appeal a non-sensitive notice setting out the matters required in Rule 5.2. The attached Schedule 2 provides a list of the relevant licence holders in relation to this modification. Section 11A(10) of the Act sets out the meaning of ‘relevant licence holder’.
11. Under the powers set out in section 11A(1)(a) of the Act, we hereby modify Special Condition 3.2 and Special Condition 1.2 of the electricity distribution licence of all licence holders in the manner specified in attached Schedule 1. This decision will take effect from 14 August 2026.
12. This document is notice of the reasons for the decision to modify the electricity distribution licence held by all holders of the electricity distribution licence as required by section 49A(2) of the Act.

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James Veaney
Duly authorised on behalf of the
Gas and Electricity Markets Authority

18 June 2026

³ CMA70 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/655601/energy-licence-modification-appeals-rules.pdf

Schedule 1: Modification

Section 1: Modification to Part A of Special condition 1.2 held by all holders of the Electricity Distribution licence.

(New text is double underscored and text removed is struck through)

Evaluative Price Control Deliverable	means a Price Control Deliverable specified in <u>Special Condition 3.2 (Uncertain Costs Re-Openers (UCR_r) and Price Control Deliverables)</u> , Special Condition 3.3 (Evaluative Price Control Deliverables), the Cyber Resilience OT PCD Table, the Cyber Resilience IT PCD Table, Special Condition 3.6 (Net Zero Re-opener and Price Control Deliverable) or Special Condition 3.17 (Storm Arwen Re-opener and Price Control Deliverables).
Price Control Deliverable	means the outputs, delivery dates and associated allowances specified in <u>Special Condition 3.2 (Uncertain Costs Re-Openers (UCR_r) and Price Control Deliverables)</u> , Special Conditions 3.3 (Evaluative Price Control Deliverables), the Cyber Resilience OT PCD Table, the Cyber Resilience IT PCD Table, Special Condition 3.6 (Net Zero Reopener and Price Control Deliverable), Special Condition 3.17 (Storm Arwen Re-opener and Price Control Deliverables) and other bespoke special conditions setting out Mechanistic Price Control Deliverables.
<u>Uncertain Costs Re-openers</u>	<u>means all the reopeners established under Special Condition 3.2 (Uncertain Costs Re-openers and Price Control Deliverable (UCR_r)).</u>

Section 2: Modifications to Special Condition 3.2 held by all holders of the Electricity Distribution licence.

(New text is double underscored and text removed is double struck through.)

Special Condition 3.2 Uncertain Costs Re-openers (UCR_t) and Price Control Deliverables

Introduction

3.2.1 The purpose and effect of this condition ~~is~~ are to:

- (a) set out the value of those Uncertain Costs terms ~~that do not have a related Evaluative Price Control Deliverable~~, and to calculate the term UCR_t (the Uncertain Costs Re-openers term), which contribute to the calculation of the Totex Allowance (in relation to which see the ED2 Price Control Financial Model); ~~and~~
- (b) establish Re-openers triggered by the licensee or the Authority in relation to Uncertain Costs;
- (c) specify the outputs, delivery dates and associated allowances for the Price Control Deliverables; and
- (d) provide for an assessment of the Price Control Deliverables.

Part T: Formula for calculating the Uncertain Costs Re-openers term (UCR_t)

3.2.120 The value of UCR_t is derived in accordance with the following formula:

$$\underline{\underline{UCR_t = UC_t - UCRPCD_t}}$$

where:

UC_t means the sum of allowances in Appendix 1; and
UCRPCD_t has the value zero unless otherwise directed by the Authority in accordance with Part V.

3.2.121 This Part T, and parts U to W and Appendix 3 to this Special Condition apply only to:

- (a) ENWL's 2025 LRE re-opener application,**
- (b) SSEN's 2025 LRE re-opener application,**
- (c) SSEN's 2025 HOWSUM re-opener application,**
- (d) SPMW's 2025 ESR re-opener application, and**
- (e) SPD's 2025 ESR re-opener application)**

Part U: What is the licensee funded to deliver?

3.2.122~~4~~ Appendix 3 specifies the Price Control Deliverables that the licensee is funded to deliver, the associated delivery dates for those Price Control Deliverables and the allowances associated with those Price Control Deliverables.

Part V: Assessment of the Price Control Deliverables

3.2.123~~2~~ The Authority may, in accordance with the assessment principles set out in Part C of Special Condition 3.3 (Evaluative Price Control Deliverables), direct a value for UCRPCD_t where the licensee has not Fully Delivered a Price Control Deliverable in Appendix 3.

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

3.2.124~~3~~ Before making a direction under paragraph 3.2.123~~2~~, the Authority must send to the licensee and publish on the Authority's Website:

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

3.2.125~~4~~ A direction under paragraph 3.2.123 must set out:

- a) the delivery status of any Price Control Deliverables that have not been Fully Delivered;
- b) the value of the UCRPCD_t term and the Regulatory Years to which that adjustment relates; and
- c) the methodology and data that have been used to decide the delivery status of any Price Control Deliverables that have not been Fully Delivered and the value of any adjustments to the UCRPCD_t term.

Section 3: Modifications to Appendix 1 to Special Condition 3.2 of the licence held by all holders of the Electricity Distribution licence except ENWL

(New text is double underscored and text removed is double struck through.)

(For all Licences except those held by ENWL. The modifications are (i) the heading of Appendix 1 to SpC 3.2 and (ii) deletion of the row of SAR_t (this row should have been deleted under the licence modification on 8 January 2026 to remove SAR_t from SpC3.2 to SpC3.17)⁴. There is no other change to the structure, headings or values of the allowance tables in Appendix 1 – they will remain as per the current licences. The table for ENWL is set out in Section 4.)

Appendix 1

Uncertain Costs ~~without Evaluative Price Control Deliverables~~ allowances (£m)

	23/24	24/25	25/26	26/27	27/28	Total allowance (all years)
SAR_t	£	£	£	£	£	£

⁴ Details can be found in the [licence modification](#) on 8 January 2026.

Section 4: Modifications to Appendix 1 to Special Condition 3.2 of the licence held by ENWL

(New text is double underscored and text removed is double struck through.)

(In the case of the licence held by ENWL, the table below shall be substituted for the table in Appendix 1 to Special Condition 3.2.)

Appendix 1

Uncertain Costs ~~without Evaluative Price Control Deliverables~~ allowances (£m)

	23/24	24/25	25/26	26/27	27/28	Total allowance (all years)
PSUP _t	0	<u>0.133</u>	<u>0.398</u>	<u>0.000</u>	<u>0.000</u>	<u>0.530</u>
REC _t	0	0	0	0	0	0
ESR _t	0	0	0	0	0	0
EVR _t	0	0	0	0	0	0
SWR _t	0	0	0	0	0	0
DIGI _t	0	0	0	0	0	0
SAR_t	0	0	0	0	0	0
LRE _t	0 <u>6.891</u>	0 <u>18.377</u>	0 <u>33.858</u>	0 <u>44.195</u>	0 <u>47.426</u>	0 <u>150.747</u>
HVP _t	0	0	0	0	0	0
WDV _t	0	0	0	0	0	0
HO _t	0	0	0	0	0	0
SES _t	0	0	0	0	0	0
SEFEC _t	0	0	0	0	0	0

Section 5: Modifications adding a new Appendix 3 to Special Condition 3.2 held by all holders of the Electricity Distribution licence.

(New text is double underscored and text removed is double struck through.)

(This new Appendix 3 should be inserted after Appendix 2 in all ED licences.)

Appendix 3

Price Control Deliverables Associated Allowances (£m)

<u>DNO</u>	<u>Re-opener</u>	<u>Output</u>	<u>Delivery Date</u>	<u>2023 /24</u>	<u>2024 /25</u>	<u>2025 /26</u>	<u>2026 /27</u>	<u>2027 /28</u>	<u>Total (ED2)</u>	<u>Post ED2</u>
<u>ENWL</u>	<u>Part K</u>	<u>Connection: Deliver 5265 connections by the end of ED2</u>	<u>31 Mar 2028</u>	<u>2.0640</u>	<u>5.3940</u>	<u>14.0640</u>	<u>16.1820</u>	<u>18.9180</u>	<u>56.600</u>	<u>N/A</u>
<u>ENWL</u>	<u>Part K</u>	<u>Peel: In Project Handover Stage to deliver the reinforcement in Peel 132kV Substation</u>	<u>31 Mar 2027</u>	<u>3.200</u>	<u>2.200</u>	<u>2.600</u>	<u>0.700</u>	<u>0.000</u>	<u>8.700</u>	<u>N/A</u>
<u>ENWL</u>	<u>Part K</u>	<u>Harker: In Construction Phase to deliver 480MVA of capacity and aligns with NGET's broader upgrades at the Harker site</u>	<u>31 Mar 2028</u>	<u>1.1920</u>	<u>5.1460</u>	<u>4.900</u>	<u>4.1460</u>	<u>4.6700</u>	<u>20.0500</u>	<u>N/A</u>
<u>ENWL</u>	<u>Part K</u>	<u>Cumbria Ring: In Construction Phase to deliver 130MVA of capacity and aligns with NGET's broader upgrades at the Harker site</u>	<u>31 Mar 2028</u>	<u>0.4070</u>	<u>0.3360</u>	<u>5.4050</u>	<u>9.4460</u>	<u>9.5160</u>	<u>24.400</u>	<u>N/A</u>
<u>ENWL</u>	<u>Part K</u>	<u>Blackpool Enterprise Zone: In Construction Phase to deliver 32MVA of capacity at Blackpool BSP</u>	<u>31 Mar 2028</u>	<u>0.000</u>	<u>1.300</u>	<u>1.100</u>	<u>1.300</u>	<u>0.800</u>	<u>4.500</u>	<u>N/A</u>
<u>ENWL</u>	<u>Part K</u>	<u>Heysham / Middleton: In Pre-Construction Phase to provide a new connection with NGET by establishing a new Middleton GSP</u>	<u>31 Mar 2028</u>	<u>0.000</u>	<u>0.000</u>	<u>0.200</u>	<u>1.400</u>	<u>1.600</u>	<u>3.200</u>	<u>N/A</u>

DNO	Re-opener	Output	Delivery Date	2023 /24	2024 /25	2025 /26	2026 /27	2027 /28	Total (ED2)	Post ED2
ENWL	Part K	Wigan BSP: In Pre-Construction Phase stage to install 5 bays of 132kV switchgear at Wigan / Orrell BSP	31 Mar 2028	0.000	0.000	1.1160	1.1160	1.15260	3.37460	N/A
SSEH	Part O	Islay – Jura: Deliver a multi circuit solution to Islay and Jura, capable of providing N-2 resilience for full island demand / capability for long duration outages specifically related to the loss of up to two in-feeding submarine cable circuits, with a minimum subsea cable transfer capacity of 70MVA per subsea cable. (A) Output as above in line with ED3 demand. ED2 (**MVA) (B) ED3 (**MVA) Onshore reinforcements to maintain N-2 resilience in line with increasing projected demand over ED4 and ED5. ED4 (**MVA) ED5 (70MVA +/- 3MVA /N-2)	(A) 31/03/2028 31/03/2033 (ED3) (B) Date up to 31/03/2043 (ED5) to be confirmed (C) Date up to 31/03/2033 to be confirmed (**) (D) Date up to 31/03/2022 to be confirmed (**)	0.000	0.000	0.233	7.083	26.800	34.116 (A) 141.079 (B) 0.945 (C) 17.955	(A) 141.074 (ED3) (B) 18.900 (ED4 and ED5)
SSEH	Part O	Orkney: Sufficient progress towards final delivery of a new Overhead line and/or cable sections and subsea cable route between Mainland GB and Orkney with a minimum transfer capacity of 70MVA (**), which may initially be operated at 33kV with a transfer capacity of at least 33MVA (**) [under normal operating conditions]. Sufficient progress for this purpose must be commensurate with the allowances provided up to the	(A) 31/03/2033 3026 (B) Date up to 31/03/2029 to be confirmed (**)	0.000	0.000	0.000	2.557	12.890	(A) 15.447 (B) **	N/A

<u>DNO</u>	<u>Re-opener</u>	<u>Output</u>	<u>Delivery Date</u>	<u>2023 /24</u>	<u>2024 /25</u>	<u>2025 /26</u>	<u>2026 /27</u>	<u>2027 /28</u>	<u>Total (ED2)</u>	<u>Post ED2</u>
		<u>delivery date, and evidenced through the PGD report.</u> (A) <u>ED2: Summary evidence in PGD report on development work.</u> (B) <u>ED3 (**): MVA/N-2</u>								

In this Appendix 3:

<u>Construction Phase</u>	<u>means the period of time beginning when construction work in a project starts and ending when Construction Work in that project is completed.</u>
<u>Construction Work</u>	<u>has the meaning given in regulation 2 (Interpretation) of the Construction (Design and Management) Regulations 2015.</u>
<u>Pre-Construction Phase</u>	<u>means any period of time during which design or preparatory work is carried out for a project and may continue during the construction phase.</u>
<u>Project Handover Stage</u>	<u>means the last stage of project delivery, occurring after the completion of the Construction Phase.</u>

Schedule 2: List of relevant licence holders

Eastern Power Networks plc

London Power Networks plc

South Eastern Power Networks plc

National Grid Electricity Distribution (East Midlands) plc

National Grid Electricity Distribution (West Midlands) plc

National Grid Electricity Distribution (South West) plc

National Grid Electricity Distribution (South Wales) plc

Northern Powergrid (Northeast) plc

Northern Powergrid (Yorkshire) plc

Electricity North West Limited

Scottish Hydro Electric Power Distribution plc

Southern Electric Power Distribution plc

SP Distribution plc

SP Manweb plc