

Sai Wing Lo
RIIO Price Control Operations
Ofgem
10 South Colonnade
Canary Wharf
London E14 4PU

2 March 2026

Dear Sai Wing,

Re: Proposals to modify the special conditions of the electricity distribution licence

I am writing on behalf of National Grid Electricity Distribution (South Wales) plc, National Grid Electricity Distribution (South West) plc, National Grid Electricity Distribution (East Midlands) plc and National Grid Electricity Distribution (West Midlands) plc, collectively known as “NGED”, in response to Ofgem’s Statutory Consultation on proposals to modify the special conditions of the electricity distribution licence.

We note, as clarified in your email of 2 February 2026, that at this stage Ofgem is proposing to add Price Control Deliverables (PCDs) only in relation to the December 2025 re-opener decisions for ENWL and SSSEN. However, the accompanying licence modification applies to all Distribution Network Operators (DNOs) and would amend Special Condition 3.2 such that all future usage of Uncertain Costs Re-openers automatically require PCDs to be attached to them.

This represents a material change in policy. It has not been subject to prior consultation, and historically not all re-opener decisions in RIIO-ED2 have resulted in new PCDs being introduced. Any change of this nature should be considered as a policy matter in its own right and consulted on separately, before licence changes are proposed.

NGED agrees that PCDs can play an important role in ensuring that defined outputs are delivered. However, these should be considered and applied on a case-by-case basis, depending on the nature of each re-opener. This ensures that the uncertainty mechanism can deliver the most effective outcomes for consumers while maintaining the flexibility necessary for DNOs to identify and deliver optimal, efficient solutions. As an example, NGED’s recent Digitalisation re-opener application sets out our reasoning for why PCDs are not the right measures for that re-opener¹.

We also question the application of PCDs to re-openers, such as for LRE, where the re-opener provides for the continuation/expansion of programmes funded through baseline allowances. PCDs have not been determined for baseline allowances in LRE, and it will be difficult to determine what elements of the programme have been funded through baseline allowances, and what will have been included in re-opener funding. Defined outputs, as required for a PCD, are also particularly unsuitable for Connections programmes which are externally driven to meet Customer requirements.

¹ NGED ED2 Digitalisation Reopener Jan26, section 6.3 (NGED, 30 Jan 2026)

Evaluative PCDs should not be set within Special Condition 3.2. Where PCDs are appropriate for uncertain expenditure, the route for the usage of evaluative PCDs remains Special Condition 3.3, which already provides a framework for applying and assessing PCDs where justified.

We also note that Appendix 3 sets allowances for ENWL at £120.8m, which do not align with the total allowances of £150.7m set out in Appendix 1. This is inconsistent with the proposed modification, as not all elements of the re-opener are reflected within the PCDs. In addition, the interaction between the re-opener allowance not covered by PCDs and the Load Related Expenditure (LRE) close-out adjustments, as set out in the Re-opener Guidance and Application Requirements Document, has not been clarified.

Finally, the Statutory Consultation on page 9 also states that the PCD details within Appendix 3 and Annex 3 are subject to change:

We will continue to work with both ENWL and SSEN during the consultation to refine the PCD definitions below to ensure that the final PCDs properly reflect of the allowances provided at the relevant project stages.

We would have expected the PCD definitions and values to be final versions within this Statutory Consultation. It is not clear how these uncertain outputs and values will be represented within the Licence and how the process for updating the Licence will work when the PCDs are finalised, e.g. will there be further Statutory Consultations.

For the reasons set out above, we strongly encourage Ofgem to reconsider the proposed approach to the extended use of PCDs within RIIO-ED2 re-openers.

Should you have any queries in relation to our response or wish to discuss, please do not hesitate to contact me.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'D Broderick', with a stylized, cursive script.

DAWN BRODERICK

RIIO ED2 Regulation Manager
National Grid Electricity Distribution