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2 March 2026

Statutory consultation on proposals to modify the special conditions of the electricity distribution licence

Dear Sai Wing & Neill,

Thankyou for the opportunity to respond to your consultation on changes to our special conditions, specifically SpC1.2 and SpC3.2.

Accountability for Load Related Expenditure Delivery

As has previously been discussed, the scope of the Load Related Expenditure (LRE) Re-opener was originally intended to have Price Control Deliverables applied to only those projects which were deemed to be Strategic Investments, and as such when the ED2 licence was constructed a specific definition and term (SINV_i) was created.

The LRE re-opener covers our entire programme, not just new additions and Ofgem made it clear at ED2 Final Determinations that it was not possible to provide a list of 'funded projects' as the assessment process was not undertaken in that manner.

Given many of our projects cross the price control boundary into ED3 and/or are not easily distinguishable as to which project is covered under ex-ante allowances and which is covered under re-opener allowances, creating a PCD is a challenging proposition and not one we had originally envisaged being required to do. Introducing PCDs for LRE re-opener allowances was not consulted on at the Draft Determination point and therefore we and others have been unable to present these points earlier in the process.

We recognise that Ofgem has a general concern about accountability for delivery, however there is more certainty on delivery at this point in the price control period than there is at the start when ex-ante allowances are set and therefore, we do not consider PCDs being established is necessary in relation to our LRE_i allowances. We had previously discussed with Ofgem the closeout process that looks at any material underspend, along with the option of providing a report at the end of the price control period which holds companies to account for what they have delivered with allowances, allows stakeholder scrutiny and clearly demonstrates what and how we deliver for customers. We consider this is a proportionate approach to concerns about delivery risk.



Impact of Price Control Deliverable application

The proposal to add PCDs to some elements of LRE_t allowances has an interaction with the LRE Closeout Adjustment outlined in Appendix 8 of the Ofgem Re-opener Guidance and Application Requirements Document 'Ofgem Guidance' which needs careful consideration.

Ofgem Guidance states that at ED2 closeout, if the licensee's Closeout Expenditure is less than 80% of its Ex Ante LRE Non-variant Allowance, then the Authority may propose an adjustment. Footnote 21 of Appendix 8 of the Ofgem Guidance explains *'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 Effects¹ Index values calculated in line with the methodology in Chapter 5 of the ED2 Price Control Financial Handbook.'*

Footnote 22 adds that *'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.'*

This section on intention for closeout was written at the start of ED2, reflecting the position that there would be no PCDs other than those under SINV. This further reinforces our view that PCDs are not in line with ED2 regulatory policy and decisions made. The planned treatment at closeout of ED2 provides sufficient protection for consumers in the event of material under-delivery.

We propose that Ofgem either:

Option 1 - Apply the treatment at ED2 closeout as originally intended if LRE Closeout Expenditure is less than 80% of allowances. This could be accompanied by a report by the licensee that details how the expenditure has delivered for customers and stakeholders. This removes the need for burdensome PCDs and the proposed suite of licence modifications, whilst maintaining accountability and transparency.

OR

Option 2 - Apply PCDs in line with the proposal within the statutory consultation and disapply the closeout treatment detailed in Appendix 8 of the Ofgem Guidance in relation to LRE_t for ourselves.

It is not proportionate, practical or justified to have separate treatments and regulatory mechanisms for the same set of load investment activities.

On balance option 1 retains consistency with the ED2 policy decisions made by Ofgem and the framework that we are operating within and is our preferred option.

¹ There is a further complication in that the RPE mechanism only applies to the ex-ante non-variant allowances set at FD, and NOT to any new allowances granted under the LRE re-opener.

Detailed comments on each proposed Price Control Deliverable for ENWL licence

Notwithstanding our broader points on the application of PCDs detailed further in Appendix 1 to this response, and our preference for option 1 shared above we have considered the consultation proposal for each PCD and share our comments below should Ofgem proceed to implement their proposal.

We welcome the constructive engagement we have had with Ofgem since this consultation has been published and broadly agree with the outputs, timings and profile of each PCD subject to the comments below.

We agree with all the delivery dates and propose no changes.

On the proposed cost profile for each PCD it appears the values have been rounded to 1 decimal place and then extended out to 3 decimal places for example 2.06 becomes 2.100. To remain in line with the investment proposal, we propose these are all to 2 decimal places.

For the outputs, proposed changes and rationale for each change are shown below. For those outputs with no comments, there are no proposed changes to the output wording in the consultation.

A summary of the PCDs reflecting our proposed changes, including the profile to decimal places are shown in Appendix 3. Our project lifecycle, each stage and what is included in each stage is shared within appendix 4 so that it is clearly understood what is meant by each stage.

Ofgem proposed output	Connection: Deliver 5265 connections by the end of ED2
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It is widely understood that whilst the timing of network reinforcement is largely within the control of DNOs, the timing of a customer completing a connection is subject to a number of factors, many of which are outside of the direct control of the DNO. Therefore, whilst the forecast provided to Ofgem was the best view at the time of the volume of connections that will require reinforcement, the actual delivery of the connection itself (as in when the customer chooses to connect) is subject to change and is largely outside of management control. We therefore propose that this PCD has a tolerance associated to the volumes to reflect the variability of volumes, whilst still providing consumer protection should volumes be materially different to that which is forecast.

We first considered an appropriate tolerance to be 20% - linked to the long-standing approach of variability in LRE of 20% as used in both ED2 and ED1, however given we already have certainty over almost three years of actuals, we consider this may be too large a tolerance, and therefore suggest that this instead reduces to 10%.

We suggest that the wording for the output is changed to either:

- Connections: Delivery of a minimum of 4,738 connections by the end of ED2 OR
- Connections: Deliver 5265 connections by the end of ED2 with a -10% (526) tolerance

Ofgem proposed output	Cumbria Ring: In construction stage to deliver 130MVA of capacity and aligns with NGET's broader upgrades at the Harker site
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Whilst the Cumbria Ring profile of work has been developed mindful of the work at Harker in terms of outages, we do not consider it necessary or relevant to have the wording 'and aligns with NGET's broader upgrades at the Harker site' included within the ENWL PCD output.

We suggest that the wording for the output is changed to:

- Cumbria Ring: In construction stage to deliver 130MVA of capacity

Ofgem proposed output

Heysham / Middleton: In construction stage to provide a new connection with NGET by establishing a new Middleton GSP

We noted in our Engineering Justification Paper - LRR EJP013 – Heysham / Middleton GSP the long running nature of this project and our ongoing collaboration with NGET.

We highlight in particular Section 7 of our EJP where we state in conclusion that ‘The funding requested in this reopener of £3.2m will be largely used to complete the detailed design works, develop our procurement strategy and place initial orders for long lead items of plant.’ Moving to construction stage for this project by 31 March 2028 was not originally planned and will not be possible.

We therefore suggest that the wording for the output is changed to:

- Heysham / Middleton: In planning stage to provide a new connection with NGET by establishing a new Middleton GSP

Ofgem proposed output

Wigan BSP: In construction stage to install 5 bays of 132kV switchgear at Wigan / Orrell BSP

As we highlighted within our EJP this project is contingent on land acquisition which has a degree of uncertainty associated with it. We continue to proceed with the required network reinforcement and expect to be in the advanced planning and procurement phase of the project, therefore in planning stage rather than in construction stage by the end of ED2. We expect our ED2 expenditure to be broadly in line with the PCD value proposed.

We therefore suggest that the wording for the output is changed to:

- Wigan BSP: In planning stage to install 5 bays of 132kV switchgear at Wigan / Orrell BSP

Specific Consultation points

Part T introduces three new terms, UCR, UC and UCRPCD. These appear to be created as composite terms to cover all uncertain costs determined under SpC3.2 as well as one single term for all PCD adjustments. We do not agree with the creation of these singular terms within SpC3.2.

SpC3.3 and the newly created SpC3.17 (for Arwen re-opener) both have separate terms for the re-opener allowance and any PCD adjustment that may be undertaken. Notwithstanding our views on the appropriateness of PCDs for LRE_i allowances, we consider that for revenue purposes, the same approach as used for other PCDs should also be used for any new PCDs created.

For example, the newly created term UC_i is currently stated to mean the sum of allowances in Appendix 1. For ourselves, Appendix 1 includes a value for PSUP_i which is not subject to a PCD and therefore should not be in the calculation. The same is true for any other additional allowances that are provided under re-openers which do not have PCDs. To create a new term UC for all items shown in Appendix 1 indicates that Ofgem have already pre-determined they will apply PCDs to any new allowances under SpC3.2. We do not consider that Ofgem should fetter their discretion in this way.

Creating one singular term also risks loss of transparency over individual items and renders the existing terms within Appendix 1 redundant.

We disagree with using SpC3.2 in the manner laid out within the consultation. If PCDs are to apply in certain circumstances, then SpC3.3 or a new licence condition (such as that created for Arwen re-opener) should be utilised otherwise the licence then has two separate conditions which both have evaluative PCDs.

Furthermore, the proposal within the consultation will require significant change to the PCFM Guidance (section 4), the PCFM itself and the PCFH (section 3) at a minimum. Changes will also be required to the RIGs. None of these changes are covered within this statutory consultation meaning that it cannot be enacted fully until those changes are also made.

If Ofgem proceed with the creation of these new terms (which we believe will be a significantly more onerous process for Ofgem than our suggestions in this response), to ensure that this term is contained to only those costs with a PCD associated, we suggest to instead refer to the sum of allowances within Appendix 3 therefore keeping Appendix 1 to serve its original purpose of a list of all re-opener allowances. The accompanying changes to the PCFI, PCFM Guidance and RIGs should also be consulted on so that the full impact and implementation can be clearly seen.

We consider that a simpler and more pragmatic approach would be to modify SpC3.3 (Part A and Appendices 1 and 2) in a similar way as the licence is constructed for NGED East Midlands licence for the New Depot term as an example. This would minimise the level of licence modifications required, keep uncertain costs with and without Price Control Deliverable terms separate, limits the modifications to SpC3.2 and the Price Control Financial Instruments (PCFI) and removes the need for any modifications to SpC1.2. Our proposed alternative licence drafting is shared within Appendix 2 of this document.

If you have any questions or wish to discuss these points, please do get in contact with myself or Alison Scott.

Yours sincerely,

Paul Auckland

Paul Auckland
Head of Economic Regulation and DSO

Appendix 1: Broader revisions to SpC3.2
Appendix 2: Proposed licence drafting alternative
Appendix 3: Proposed PCD table
Appendix 4: SP ENW Project lifecycle

Appendix 1 – SP ENW response on broader revisions to SpC3.2

Addressing the treatment of uncertainty mechanisms more generally, the policy intent at the start of ED2 was that the majority of uncertainty mechanisms would not be subject to Price Control Deliverables. This was clear at the time of ED2 development and was the reason why the licence conditions were structured such that SpC3.2 included re-openers that were not subject to PCDs and SpC3.3 specified those where PCDs would be applicable. SpC3.2 clearly lays out in the introduction text that these are uncertain costs terms that do not have a related Evaluative Price Control Deliverable, and Appendix 1 is currently named Uncertain Costs without Evaluative Price Control Deliverables allowances. This shows clear intent as to how re-opener allowances would be treated in period.

It is within this context and understanding that we prepared and submitted our Load Related Expenditure Re-opener in 2025. It is also how we have prepared and submitted our most recent Re-openers in January 2026.

We believe strongly in the importance of regulatory stability and certainty. Setting a stable regulatory framework at the start of the period allows companies, stakeholders and Ofgem to understand and work within those confines. If there is a clear reason and case for change, then this should be addressed within the normal manner, with Ofgem or companies setting out a problem statement, exploring the case for change, consulting on this accordingly and then making a policy decision, followed by implementation within the licence if necessary.

This process has not been followed. Rather, a decision on additional funding has been made through the re-opener Final Determination and a statutory consultation has followed.

Point 7 of the statutory notice states ‘Further details on the reasons for the proposed modifications can be found in the FD for 2025 re-openers’, however the only reference to PCDs is that Ofgem expect to consult on the wording. This does not adequately explain the rationale for introducing PCDs against the original intention.

The introduction of PCDs for LRE_t, and the wholesale change to SpC3.2 is a clear indication of Ofgem intent to apply PCDs to all re-opener allowances granted from now on - a material move away from the framework set at the start of the period.

This move undermines the principle of regulatory stability, increases complexity and significantly increases regulatory burden.

SP ENW have no track record of failing to deliver for customers in prior regulatory periods, therefore deviation from ED2 policy by the application of PCDs for uncertainty mechanisms, particularly as we are nearing year 4 of a 5 year price control is disproportionate, increasing regulatory burden for no clear consumer benefit.

On the application of PCDs the ED2 SSMC² stated: *In RIIO-ED2, we will use PCDs to capture outputs that are directly funded through the price control and where the funding is not transferrable to a different project or output. The purpose of PCDs is to ensure that the conditions attached to the funding of an activity are clear up-front. In some cases, allowances will be recovered automatically through a formula defined in the licence. For others, depending on the complexity of the PCDs, we will undertake ex post reviews to determine the delivery status and extent of associated claw back (if any). We recognise that bespoke PCDs will require a level of additional administration during the price control by both Ofgem and DNOs. We, therefore, need to ensure that the benefit to consumers of accepting a proposal as a bespoke*

² RIIO-ED2 Methodology Decision: Annex 1 – Delivering value for money services for consumers

PCD is not outweighed by the costs associated with its administration. We are therefore indicating that proposals that are significantly lower than £15m are likely to be rejected, unless there is strong and compelling evidence of their value.

In the Final Determination for ED2 PCDs were used sparingly, however since the start of the price control we have seen the use of PCDs associated with re-openers increase, first with Arwen re-opener, and now with LRE. By this statutory consultation Ofgem have given themselves the ability to apply PCDs to all other re-openers within the ED2 price control period.

This new approach penalises companies who approached the ED2 business plan process seeking ex-ante allowances for certain costs only and relied legitimately on re-openers and uncertainty mechanisms operating agilely in period as costs became more certain or new requirements emerged. Any new allowances under these re-openers increase regulatory burden, whilst companies who chose a different approach do not face this same burden.

Appendix 2 – SP ENW proposed licence drafting alternative

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

Modifications to SpC1.2

None

Modifications to SpC3.2 (Part K)

Part K: Load Related Expenditure Re-opener (LREt)

3.2.66 This Part establishes the Load Related Expenditure Re-opener.

3.2.67 The Load Related Expenditure Re-opener may be used where:

(a) the licensee's Load Related Expenditure has increased or is expected to increase, as a result of an increase in:

- i. current or forecast load-related constraints on the Distribution System that are in place at the time the licensee makes a Load Related Expenditure Re-opener application relative to the constraints associated with the forecast demand used by the Authority to set ex ante allowances for the Price Control Period; or
- ii. the proportion of expenditure associated with load-related constraints on the Distribution System to be funded through Use of System Charges relative to the assumptions used by the Authority to set allowances that are in place at the time the licensee makes a Load Related Expenditure Re-opener application; or

(b) there is a change in conditions on the Distribution System relative to the assumptions used to set allowances; and

(c) the increase or expected increase in Load Related Expenditure:

- i. is not provided for by the sum of Load Related Expenditure ex ante non variant allowances specified in Appendix 2, and any previously directed values for LREt and SINVT;
- ii. is not provided by the operation of Special Condition 3.9 (Load Related Expenditure Volume Drivers); and
- iii. exceeds the Materiality Threshold.

3.2.68 The licensee may only apply to the Authority for modifications to this licence under the Load Related Expenditure Re-opener:

- (a) Between 24 and 31 January 2025;
- (b) Between 24 and 31 January 2027; and
- (c) during such other periods as the Authority may direct.

3.2.69 The licensee must when making an application under the Load Related Expenditure Re-opener, send to the Authority a written application that:

- (a) gives details of the circumstances under paragraph 3.2.67 that exist;
- (b) sets out whether the licensee considers the application relates to Strategic Investment;
- (c) sets out any modifications to the value of LREt in Appendix 1 being sought;
- (d) sets out any modifications to the value of SINVT or LREREt in Appendix 1 to Special Condition 3.3 (Evaluative Price Control Deliverables) being sought;
- (e) sets out any modifications to the outputs, delivery dates and allowances in Appendix 2 to Special Condition 3.3 being sought;
- (f) explains the basis for calculating any modifications requested to allowances and the profiling of those allowances; and
- (g) provides such detailed supporting evidence as is reasonable in the circumstances including, where available, evidence of the efficiency of the Load Related Expenditure.

3.2.70 An application under this Part must:

- (a) be confined to Load Related Expenditure costs incurred or expected to be incurred on or after 1 April 2023; and
- (b) take account of allowed expenditure which can be avoided as a result of the modifications to the Load Related Expenditure requested.

3.2.71 The Authority may also instigate this Re-opener in accordance with Part S.

3.2.72 The following modifications to this licence may be made under the Load Related Expenditure Re-opener:

- (a) modifications to the value of LRE_t in Appendix 1, where those modifications do not relate to Strategic Investments;
- (b) modifications to the value of $SINV_t$ and $LRERER_t$ in Appendix 1 to Special Condition 3.3 and the outputs, delivery dates and allowances in Appendix 2 to Special Condition 3.3, where those modifications relate to Strategic Investments or a new Price Control Deliverable created as a result of a re-opener application under this Part;
- (c) modifications confined to allowances for Regulatory Years commencing on or after 1 April 2023.

3.2.73 Any modifications made as a result of an application under paragraph 3.2.76 must be made under section 11A (modifications of conditions of licences) of the Act.

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)
$PSUP_t$	0.000	0.133	0.398	0.000	0.000	0.530
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	<u>0.37</u>	<u>4.01</u>	<u>4.83</u>	<u>9.92</u>	<u>10.79</u>	<u>29.92</u>
HVP_t	0	0	0	0	0	0
WDV_t	0	0	0	0	0	0
WCC_t	0	0	0	0	0	0

Modifications to SpC3.3

Introduction

3.3.1 The purpose of this condition is to set out the Evaluative Price Control Deliverable terms, which contribute to the calculation of the Totex Allowance (in relation to which see the ED2 Price Control Financial Model).

3.3.2 The effect of this condition is to specify the outputs, delivery dates and associated allowances for the Evaluative Price Control Deliverables. This condition also explains the

assessment principles and the process the Authority must follow in assessing Evaluative Price Control Deliverables.

3.3.3 Reporting requirements for Evaluative Price Control Deliverables are established in Special Condition 9.3.

Part A: The value of the Evaluative Price Control Deliverable terms

3.3.4 The following terms are Evaluative Price Control Deliverable terms:

- (a) the Cyber Resilience OT baseline term (CROT_t);
- (b) the Cyber Resilience OT non-baseline term (CROTRE_t);
- (c) the Cyber Resilience IT baseline term (CRIT_t);
- (d) the Cyber Resilience IT non-baseline term (CRITRE_t);
- (e) the Strategic Investment term (SINV_t);
- (f) [not used]; and
- (g) [not used].
- (h) the Load Related PCD term (LRERE_t)

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

$$CROT_t = CROBA_t - CROPCD_t$$

where:

- CROBA_t has the value set out in the Cyber Resilience OT Baseline Allowances Table; and
- CROPCD_t has the value directed by the Authority in accordance with Part C.

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

$$CROTRE_t = CROR_t - CROPCCR_t$$

where:

- CROR_t has the value set out in the Cyber Resilience OT Re-opener Allowances Table, in relation to which see Part G of Special Condition 3.2 (Uncertain Costs Re-openers); and
- CROPCCR_t has the value directed by the Authority in accordance with Part C.

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

$$CRIT_t = CRIBA_t - CRIPCD_t$$

where:

- CRIBA_t has the value set out in the Cyber Resilience IT Baseline Allowances Table; and
- CRIPCD_t has the value directed by the Authority in accordance with Part C.

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

$$CRITRE_t = CRIR_t - CRIPCCR_t$$

where:

- CRIR_t has the value set out in the Cyber Resilience IT Re-opener Allowances Table, in relation to which see Part H of Special Condition 3.2 (Uncertain Costs Re-openers); and
- CRIPCCR_t has the value directed by the Authority in accordance with Part C.

3.3.9 The value of SINV_t is derived in accordance with the following formula:

$$SINV_t = SINVA_t - SINVB_t$$

where:

- SINVA_t means the value of SINVA_t set out in Appendix 1; and

SINVB_t has the value zero unless the Authority directs otherwise in accordance with Part C.

3.3.10 [Not used]

3.3.11 [Not used]

3.3.12 The value of $LREREt_t$ is derived in accordance with the following formula:

$$LREREt_t = LREA_t - LREB_t$$

where:

$LREA_t$ means the allowances shown in Appendix 1; and

$LREB_t$ has the value zero unless the Authority directs otherwise in accordance with Part C.

Part B: Requirement to deliver certain Evaluative Price Control Deliverables

~~3.3.123~~ The licensee must take all reasonable steps to deliver the outputs specified in the Cyber Resilience OT PCD Table and the Cyber Resilience IT PCD Table in accordance with and by the delivery dates specified in those tables.

~~3.3.134~~ The licensee is also funded to deliver the outputs specified in Appendix 2 in accordance with and by the delivery dates specified in Appendix 2.

Part C: Assessment of the Evaluative Price Control Deliverables

~~3.3.145~~ The Authority may, in accordance with the assessment principles set out in this Part, direct an adjustment to allowances where the licensee has not Fully Delivered an output in the Cyber Resilience OT PCD Table, the Cyber Resilience IT PCD Table or Appendix 2.

~~3.3.156~~ In deciding whether to make a direction to adjust allowances where an Evaluative Price Control Deliverable has not been Fully Delivered and in deciding the contents of such a direction, the Authority must apply the following assessment principles:

- (a) where an output is Fully Delivered With An Alternative Specification and the licensee demonstrates that any underspend against the associated allowances are attributable to Efficiency or Innovation, the Authority may not make any adjustment to the associated allowance;
- (b) where an output is Not Delivered, the Authority may direct a reduction of the associated allowance up to the total amount of the allowance, save that the Authority must allow the licensee the costs of undertaking reasonable and necessary work until the decision to not deliver the output was made, where the licensee demonstrates that the costs were reasonable, necessary, incurred efficiently and not otherwise funded by the special conditions;
- (c) where an output is Delayed, the Authority may direct a re-profiling of the associated allowance to match the profile of the actual delivery of work or expenditure, where re-profiling would have a material impact on allowances; and
- (d) where the output is Partially Delivered or Partially Delivered With Alternative Specification, and

- i. the licensee demonstrates that any underspend against the associated allowance is attributable to Efficiency or Innovation; and
- ii. the licensee provides a justified estimate of the proportion of the output or Consumer Outcome associated with the work delivered; the Authority may direct an adjustment to the associated allowance only in accordance with the following formula:

$$\text{adjustment to allowances} = ((1 - \text{proportion of output or Consumer Outcome delivered}) * \text{associated allowance})$$

(e) where none of the circumstances described in sub-paragraphs (b) to (d) apply, the Authority may direct an adjustment to the associated allowances to allow only the efficient costs of any work carried out that contributes to the delivery of the output. When deciding on the value of any such adjustment, the Authority must:

- i. have due regard to the particular characteristics of the output;
- ii. have due regard to any factors that are outside of the licensee's control and that may have affected the ability of the licensee to Fully Deliver the output; and
- iii. establish efficient costs using the following methods:

(AA) where these are available, using benchmarking against historical data; or

(BB) where historical cost data is not available, using bespoke engineering and cost assessment, employing qualitative techniques to supplement technical methods;

(f) the Authority may not direct an increase to allowances for an Evaluative Price Control Deliverable that has not been Fully Delivered;

(g) any adjustment to an associated allowance must allocate that allowance to Regulatory Years in accordance with the profile of actual expenditure reported by the licensee; and

(h) the split between fast money and the RAV for any adjustments must be as set out in the ED2 Price Control Financial Model.

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

~~3.3.167~~ Before making a direction under this licence condition, the Authority must send to the licensee:

- (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.

~~3.3.178~~ Where a direction relates to the PCFM Variable Values listed in paragraphs 3.3.4(e), ~~and~~ (g) and (h), the Authority must also publish the proposed direction on the Authority's Website.

~~3.3.189~~ The direction must set out:

- (a) the delivery status of the output that has not been Fully Delivered;
- (b) the value of the reduction to allowances and the Regulatory Years to which that adjustment relates, and
- (c) in relation to:
 - i. cyber resilience OT must specify the value of CROPCDt and CROPCDRt; and
 - ii. cyber resilience IT must specify the value of CRIPCDt and CRIPCDRt; and
- (d) the methodology and data that has been used to decide the matters required by sub-paragraphs (a) and (b).

Appendix 1
Evaluative Price Control Deliverable allowances (£m)

	23/24	24/25	25/26	26/27	27/28	Total allowance (all years)
$SINVA_t$	0	0	0	0	0	0
$LREA_t$	<u>6.52</u>	<u>14.37</u>	<u>29.03</u>	<u>34.27</u>	<u>36.63</u>	<u>120.82</u>

**Appendix 2
Evaluative Price Control Deliverables**

Output	Delivery date	2023/ 24	2024/ 25	2025/ 26	2026/ 27	2027/ 28	Total
<u>Connections: Delivery of a minimum of 4,738 connections by the end of ED2</u> <u>OR</u> <u>Connections: Deliver 5265 connections by the end of ED2 with a -10% (526) tolerance</u>	<u>31 Mar 2028</u>	<u>2.06</u>	<u>5.39</u>	<u>14.06</u>	<u>16.18</u>	<u>18.91</u>	<u>56.60</u>
<u>Peel: In Project Handover Stage to deliver the reinforcement in Peel 132kV Substation</u>	<u>31 Mar 2027</u>	<u>3.20</u>	<u>2.20</u>	<u>2.60</u>	<u>0.70</u>	<u>0.00</u>	<u>8.70</u>
<u>Harker: In construction stage to deliver 480MVA of capacity and aligns with NGET's broader upgrades at the Harker site</u>	<u>31 Mar 2028</u>	<u>1.19</u>	<u>5.14</u>	<u>4.90</u>	<u>4.14</u>	<u>4.67</u>	<u>20.05</u>
<u>Cumbria Ring: In construction stage to deliver 130MVA of capacity</u>	<u>31 Mar 2028</u>	<u>0.07</u>	<u>0.33</u>	<u>5.05</u>	<u>9.44</u>	<u>9.51</u>	<u>24.40</u>
<u>Blackpool Enterprise Zone: In construction stage to deliver 32MVA of capacity at Blackpool BSP</u>	<u>31 Mar 2028</u>	<u>0</u>	<u>1.30</u>	<u>1.10</u>	<u>1.30</u>	<u>0.80</u>	<u>4.50</u>
<u>Heysham / Middleton: In planning stage to provide a new connection with NGET by establishing a new Middleton GSP</u>	<u>31 Mar 2028</u>	<u>0</u>	<u>0</u>	<u>0.20</u>	<u>1.40</u>	<u>1.60</u>	<u>3.20</u>
<u>Wigan BSP: In planning stage to install 5 bays of 132kV switchgear at Wigan / Orrell BSP</u>	<u>31 Mar 2028</u>	<u>0</u>	<u>0</u>	<u>1.11</u>	<u>1.11</u>	<u>1.15</u>	<u>3.37</u>

Modifications to PCFM Guidance, PCFM, PCFH and RIGs

New term $LREREt$ will need to be added to the PCFM.

Price Control Financial Handbook, table 3.1 List of PCFM Variable Values will need to have the new $LREREt$ term included in the table.

PCFM Guidance document, chapter 4, the Variable Value category table after paragraph 4.4 will need to have the new term $LREREt$ (Load Related Re-opener PCDs) added to the table.

RIGs Annex B, CVR pack will need to be changes for tab R1 (PCDs) as well as other consequential changes to link the new terms.

Appendix 3 – Proposed PCD table

Output	Delivery date	2023/24	2024/25	2025/26	2026/27	2027/28	Total
Connections: Delivery of a minimum of 4,738 connections by the end of ED2 OR Connections: Deliver 5265 connections by the end of ED2 with a -10% (526) tolerance	31 Mar 2028	2.06	5.39	14.06	16.18	18.91	56.60
Peel: In Project Handover Stage to deliver the reinforcement in Peel 132kV Substation	31 Mar 2027	3.20	2.20	2.60	0.70	0.00	8.70
Harker: In construction stage to deliver 480MVA of capacity and aligns with NGET's broader upgrades at the Harker site	31 Mar 2028	1.19	5.14	4.90	4.14	4.67	20.05
Cumbria Ring: In construction stage to deliver 130MVA of capacity	31 Mar 2028	0.07	0.33	5.05	9.44	9.51	24.40
Blackpool Enterprise Zone: In construction stage to deliver 32MVA of capacity at Blackpool BSP	31 Mar 2028	0.00	1.30	1.10	1.30	0.80	4.50
Heysham / Middleton: In planning stage to provide a new connection with NGET by establishing a new Middleton GSP	31 Mar 2028	0.00	0.00	0.20	1.40	1.60	3.20
Wigan BSP: In planning stage to install 5 bays of 132kV switchgear at Wigan / Orrell BSP	31 Mar 2028	0.00	0.00	1.11	1.11	1.15	3.37

Appendix 4 – SP ENW Project lifecycle

