

Decision

RIO-ED2 Load Related Expenditure volume drivers Licence Modification

Publication date:	11 September 2026
-------------------	-------------------

Contact:	John Kennedy
----------	--------------

Team:	Electricity Distribution Price Controls
-------	---

Email:	RIOED2@ofgem.gov.uk
--------	--

This document sets out our decision on changes to the electricity distribution licence for the RIO-ED2 Load Related Expenditure (LRE) volume drivers.

Decision RIIO-ED2 Load Related Expenditure volume drivers Licence Modification

© Crown copyright 2026

The text of this document may be reproduced (excluding logos) under and in accordance with the terms of the Open Government Licence.

Without prejudice to the generality of the terms of the Open Government Licence, the material that is reproduced must be acknowledged as Crown copyright and the document title of this document must be specified in that acknowledgement.

This publication is available at www.ofgem.gov.uk. Any enquiries regarding the use and re-use of this information resource should be sent to psi@nationalarchives.gsi.gov.uk

Decision RIIO-ED2 Load Related Expenditure volume drivers Licence Modification**Contents**

RIIO-ED2 Load Related Expenditure volume drivers Licence Modification	1
1. Introduction.....	4
2. Responses to Our Statutory Consultation	6
3. Decision	11
4. Timeline.....	11
5. Send us your feedback	11
Appendix 1. Notice of modification of the special conditions of the electricity distribution licence	12

Decision RIIO-ED2 Load Related Expenditure volume drivers Licence Modification

1. Introduction

This decision sets out the modifications we are making to Special Condition (SpC) 3.9 of the Electricity Distribution Licence. This chapter provides the background, context and a list of related publications relevant to this decision.

Background, Context and related publications

- 1.1 We published our decision on a review of the RIIO-ED2 Load Related Expenditure (LRE) volume drivers on 11 June 2026.¹ In that decision, we confirmed our intent to modify Special Condition (SpC) 3.9 of the electricity distribution licence.
- 1.2 We published a statutory consultation on proposed modifications to the electricity distribution licence at the same time. The effect of the proposed modifications was to increase the Low Voltage Services Volume Driver (LVSVD) unit rates, LVSVD ex ante allowances and, for one licensee only, the Secondary Reinforcement Volume Driver (SRVD) cap. The reasons for the proposed modifications were set out in the decision document published on 11 June 2026.
- 1.3 The consultation closed on 10 July 2026. Stakeholders had the opportunity to comment on the proposed changes. This decision reflects the responses we received and the changes we consider necessary following that process.
- 1.4 We have published non-confidential responses on our website.
- 1.5 This decision should be read alongside the following publications:
 - [RIIO-ED2 Final Determinations | Ofgem](#)
 - [Decision on the proposed modifications to the RIIO-2 Electricity Distribution licences | Ofgem](#), specifically SpC 3.9 (Load Related Expenditure volume drivers) of the RIIO-ED2 licence which established the Load Related Expenditure Volume Drivers Governance Document (“the LRE Governance Document”) and the RIIO-ED2 LRE Volume Drivers Workbook (“the LRE Volume Drivers Workbook”). The LRE Governance Document provides information on the reporting requirements and methodologies for the LRE volume drivers.
 - [Changes to RIIO-ED2 Load Related Expenditure volume drivers | Ofgem](#). Our consultation on the proposed changes to the LRE Volume Drivers.

¹ [Changes to RIIO-ED2 Load Related Expenditure volume drivers | Ofgem](#)

Decision RIIO-ED2 Load Related Expenditure volume drivers Licence Modification

Decision-making stages

Stage 1 Consultation proposing modifications to the Electricity Distribution Licence Special Condition (SpC) 3.9 opens 11 June 2026.

Stage 2 Consultation closes (awaiting decision). Deadline for responses: 10 July 2026

Stage 3 Responses reviewed: during July and August 2026.

Stage 4 Consultation outcome (decision): 11 September 2026.

Decision RIIO-ED2 Load Related Expenditure volume drivers Licence Modification

2. Responses to Our Statutory Consultation

This chapter provides a summary of the responses to the statutory consultation. We have also set out our views on those responses and where we have made a change as a result.

- 2.1 We received four non-confidential and one confidential responses to our consultation.
- 2.2 We have summarised the substantive comments and issues raised by respondents in the following section.

Decision RIIO-ED2 Load Related Expenditure volume drivers Licence Modification

Table 1: Summary of key issues raised

Issue	Respondent	Modification Proposal	Response & Action
Application of the LVSVD Unit Rates	NGED & SSEN	National Grid Electricity Distribution (NGED) and Scottish and Southern Electricity Networks (SSEN) welcomed the revisions to both the LVSVD unit rates and ex-ante allowances, but were disappointed that the revised unit rates will apply only to Years 4 and 5 of RIIO-ED2.	With respect to the changes only applying to years 4 and 5, as we set out in our decision document, our approach is consistent with what is stated in the LRE Governance Document. Any changes that are made as a result of the review of LRE Volume Drivers will be enacted on a forward-looking basis. No changes will be made to allowances for volumes that have already been delivered.
Licence Drafting	SSEN	SSEN pointed out that the numbering in the licence appendices does not align, for example, for Southern Electric Power Distribution plc the numbering starts at 18.9.1 but should be 3.9.1. They recognised that this could be a formatting error.	We acknowledge that there is a formatting error and this has been corrected for in the licence decision.
Reporting	NPg	Northern Powergrid (NPg) said that they were not opposed to increasing the SRVD cap for SP ENW, but have reservations regarding the cost drivers that underpin the proposed change. They mention that the decision document stated that upsizing interventions should be progressed through the volume driver mechanisms. Their principal concern is the underlying treatment of incremental costs for schemes with multiple drivers. They argue that this	We have previously acknowledged NPg's concerns about the reporting risks. We agree that is important that there is consistent treatment and that otherwise there is a material risk of distorted reporting, customer protection weaknesses, and reduced comparability in future ED3 benchmarking. We will work with DNOs to develop guidance through the Regulatory Instructions and Guidance (RIGs) to ensure consistent and accurate reporting

Decision RIIO-ED2 Load Related Expenditure volume drivers Licence Modification

Issue	Respondent	Modification Proposal	Response & Action
		approach creates specific reporting risks, including double counting asset movements or recording capacity additions without the corresponding asset movement.	across the industry as part of the consultation on the RIGs that will take place in early 2027.
SRVD Metrics	NGED	Concerns were raised about the deferral of our decision on the SRVD metrics. NGED said Ofgem should implement the proposed amendments to the SRVD metrics as consulted. NGED also stated that if Ofgem considers it cannot enact the changes it has consulted on at this stage, it is important that Ofgem reaches a decision on the metrics at the earliest opportunity, with a realistic view on what further evidence is required within these timescales.	We acknowledge the concerns raised about deferral of our decision on the metrics. We have been working with the DNOs over the summer on the issue of metrics and requested further evidence from the DNOs and that has been provided. We have considered this further evidence alongside the latest data from the Regulatory Reporting Packs (RRPs). We intend to inform DNOs how we will use the metrics in the assessment of any spend over the ex ante allowance in the near future.
Licence Drafting	UKPN	UK Power Networks (UKPN) state that in Appendix 1 for Southern Electric there an erroneous zero. It reads £67,5800 rather than £67,580.	We have amended Appendix 1 to correct for the error.
Licence Drafting	UKPN	Appendix 2 itemises licences changes separately for each licensee, while Appendix 3 consolidates ex ante allowances and caps across all licensees. UKPN suggests that it would be better to consolidate across all licences for Appendix 2 also.	Given that licensees are already familiar with how the rates are set out in the licence in Appendix 2 and it has not been raised as an issue generally by other respondents, we think it is better to maintain our current approach. The revised rates are also set out

Decision RIIO-ED2 Load Related Expenditure volume drivers Licence Modification

Issue	Respondent	Modification Proposal	Response & Action
			in our 11 June 2026 RIIO-ED2 LRE volume drivers decision document should parties want to analyse the data.
Licence Drafting	UKPN & NGED	Both UKPN and NGED suggested changing the headings for Appendix 2. An amendment would clarify that the applicable unit rates are determined by the year in which the activity is delivered, rather than by the year in which the volume driver allowance is established through annual regulatory submissions.	We have amended the heading in Appendix 2 to provide greater clarity. We have amended the LVSUC term to clarify when a value applies to activities delivered in regulatory years 2023/24, 2024/25 and 2025/26 and when it applies to activities delivered in regulatory years 2026/27 and 2027/28.
LRE Decision Document	UKPN	i. Paragraph 2.18 - why needs to be removed from the end of the sentence. ii. Paragraph 2.24 table 1 - EPN's current unit rate for overhead lines needs to be corrected and also LPN's current underground lines rate needs to be corrected.	This relates to the 11 June 2026 LRE volume driver decision document rather than the proposed licence modifications in the statutory consultation. We will issue an erratum to correct for these rates in due course.
LRE Decision Document	NGED	There is a minor error in Table 1 of the LRE decision document.	This relates to the 11 June 2026 LRE volume driver decision document rather than the proposed licence modifications in the statutory consultation.

Decision RIIO-ED2 Load Related Expenditure volume drivers Licence Modification

Issue	Respondent	Modification Proposal	Response & Action
			We will issue an erratum to correct for these rates in due course.

Decision RIIO-ED2 Load Related Expenditure volume drivers Licence Modification

3. Decision

- 3.1 Having considered all five of the consultation responses received, we do not consider that any of the issues raised undermine the basis for the licence modifications. The principal responses related to implementation timing, licence drafting, reporting treatment and future use of SRVD metrics. We have made targeted drafting clarifications where appropriate, while maintaining the substantive policy position set out in our 11 June 2026 decision.
- 3.2 Table 1 summarises the key issues raised and our response on issues raised by stakeholders and where we have made changes since the statutory consultation as a result.
- 3.3 For the avoidance of doubt the changes will apply to years 4 and 5 of RIIO-ED2, which is consistent with what is stated in the LRE Governance Document that changes should only apply on a forward looking basis.

4. Timeline

- 4.1 The modification to the licence will take effect on 6 November 2026.
- 4.2 The appendix to this document contains the Direction setting out the changes made pursuant to the relevant Licence Conditions.
- 4.3 If you have any questions regarding our decision, please contact RIIOED2@ofgem.gov.uk.

5. Send us your feedback

- 5.1 We believe that consultation is at the heart of good policy development. We are keen to receive your comments about this decision. We would also like to get your answers to these questions:
- Do you have any comments about the quality of this document?
 - Do you have any comments about its tone and content?
 - Was it easy to read and understand? Or could it have been better written?
 - Are its conclusions balanced?
 - Did it make reasoned recommendations?
 - Do you have any further comments?
- 5.2 Please send your feedback to stakeholders@ofgem.gov.uk

Decision RIIO-ED2 Load Related Expenditure volume drivers Licence Modification

Appendix 1. Notice of modification of the special conditions of the electricity distribution licence

To: All holders of the electricity distribution licence

Electricity Act 1989

Section 11A(2)

Modification of the Special Conditions of the Electricity Distribution Licence

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') gave notice on 11 June 2026 (the 'Notice') that we proposed to modify Special Condition ('SpC') 3.9 of the licence. We stated that any representations to the proposed licence modifications must be made on or before 10 July 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 five responses to the Notice, which we carefully considered. We have placed all non-confidential responses on our website. Our response to these comments is set out in this document. We have made a number of minor changes to the proposed modifications as a result of these responses. Any changes since statutory consultation are highlighted yellow in the annexes to this decision.
5. We are making these modifications because they implement our decision of 11 June 2026 that proposed to modify the Licence by amending SpC 3.9 'Load Related Expenditure volume drivers (SRVDt and LVSVDt)'. Further reasoning around this

Decision RIIO-ED2 Load Related Expenditure volume drivers Licence Modification

decision can be found in the publicly available decision document [Changes to RIIO-ED2 Load Related Expenditure volume drivers | Ofgem](#).

6. The effect of these modifications is to modify the Low Voltage Services Volume Driver (LVSVD) unit cost and LVSVD ex ante allowance for all licensees. We are also modifying the Secondary Reinforcement Volume Driver (SRVD) ex ante allowance for SP ENW.

7. 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 Rules 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.

8. Under the powers set out in section 11A(1)(a) of the Act, we hereby modify the special licence conditions for the electricity distribution licence held by the licensees in the manner specified in Annex 1.

9. This decision will take effect from 6 November 2026. This document is notice of the reasons for the decision to modify the electricity distribution licences as required by section 49A(2) of the Act.

.....

James Veaney

Deputy Director, Electricity Distribution Network Price Controls

Duly authorised on behalf of the

Gas and Electricity Markets Authority

11 September 2026

Decision RIIO-ED2 Load Related Expenditure volume drivers Licence Modification

Annex 1: Proposed modifications to Special Condition 3.9 of the Electricity Distribution Licence held by Electricity North West Ltd, Northern Powergrid (Northeast) plc, Northern Powergrid (Yorkshire) plc, National Grid Electricity Distribution (East Midlands) plc, National Grid Electricity Distribution (West Midlands) plc, National Grid Electricity Distribution (South Wales) plc, National Grid Electricity Distribution (South West) plc, SP Distribution plc, Scottish Hydro Electric Power Distribution plc

(New text is double underscored and text removed is double struck through. Changes since our statutory consultation are highlighted in yellow).

Special Condition 3.9 Load Related Expenditure volume drivers (SRVD_t and LVSVD_t)

Introduction

- 3.9.1 The purpose of this condition is to calculate the terms SRVD_t (the secondary reinforcement volume driver term) and LVSVD_t (the Low Voltage services volume driver term). These terms contribute to the calculation of the Totex Allowance (in relation to which see the ED2 Price Control Financial Model).
- 3.9.2 The effect of this condition is to fund the licensee for Load Related Expenditure related to the activities listed at Appendix 1 and Appendix 2 during the Price Control Period.
- 3.9.3 This condition also establishes the Load Related Expenditure Volume Drivers Governance Document and the RIIO-ED2 LRE Volume Drivers Workbook as licence instruments.

Part A: Formulae for calculating the secondary reinforcement volume driver term (SRVD_t)

- 3.9.4 The value of SRVD_t is derived in accordance with the following formula:

$$SRVD_t = \frac{\sum_i SRUC_{t,i} \times SRCD_{t,i}}{1,000,000}$$

where:

SRUC _{t,i}	means the unit cost of activity type i, set out in Appendix 1; and
SRCD _{t,i}	means the volumes of activity delivered of type i, as set out in Appendix 1.

- 3.9.5 The value of SRVD across the Price Control Period cannot exceed the cap set out in Appendix 3.
- 3.9.6 The value of SRUC_{ti} for gross MVA or km deferred through the procurement of flexibility services is derived in accordance with the following formula:

Decision RIIO-ED2 Load Related Expenditure volume drivers Licence Modification

$$SRUC_{t,i} \times \left(1 - \left(\frac{1}{(1 + WACC_t)^n} \right) \right)$$

where:

- $SRUC_{t,i}$ means the unit cost for secondary reinforcement activity type i, that is being deferred by flexibility;
- $WACC_t$ means vanilla weighted average cost of capital, derived in accordance with Chapter 4 of the ED2 Price Control Financial Handbook; and
- n means the forecast number of years of reinforcement deferral which cannot be more than five years.

Part B: Formula for calculating the Low Voltage services volume driver term (LVSVD_t)

3.9.7 The value of LVSVD_t is derived in accordance with the following formula:

$$LVSVD_t = \frac{\sum_i LVSUC_{t,i} \times LVSAR_{t,i}}{1,000,000}$$

where:

$LVSUC_{t,i}$	means the unit cost of activity type i, set out in Appendix 2; and
$LVSAR_{t,i}$	means the volumes of activity delivered of type i, as set out in Appendix 2.

3.9.8 The value of LVSVD across the Price Control Period cannot exceed the cap set out in Appendix 3.

Part C: Load Related Expenditure Volume Drivers Governance Document

- 3.9.9 The Load Related Expenditure Volume Drivers Governance Document forms part of this condition.
- 3.9.10 The Load Related Expenditure Volume Drivers Governance Document may make provision about the scope, governance, administration and review of the Load Related Expenditure volume drivers.
- 3.9.11 The licensee must comply with the Load Related Expenditure Volume Drivers Governance Document when:
- (a) incurring expenditure under these volume drivers; and
 - (b) in relation to the review of the volume drivers.
- 3.9.12 The Authority may only direct modifications to the Load Related Expenditure Volume Drivers Governance Document where:

Decision RIIO-ED2 Load Related Expenditure volume drivers Licence Modification

- (a) it becomes aware of modifications of the type set out in paragraph 3.9.14 that would improve the clarity or usefulness to users of the Load Related Expenditure Volume Drivers Governance Document; and
 - (b) the modification will have no impact on the licensee's Allowed Revenue.
- 3.9.13 For the purposes of paragraph 3.9.12, it is to be presumed that a modification which serves to correct a manifest error will have no impact on the licensee's Allowed Revenue.
- 3.9.14 The following categories of modifications may be made under this Part:
 - (a) formatting changes such as re-numbering of paragraphs, capitalising defined terms, cell labelling, renaming or re-ordering of sections or worksheets;
 - (b) deleting irrelevant material such as transitional provisions that have expired;
 - (c) updates such as to dates, version numbers of documents, titles of re-enacted legislation and re-named bodies;
 - (d) consequential changes required to reflect modifications made to the special conditions such as amendments made to the Appendices to this condition; and
 - (e) corrections of manifest errors such as discrepancies between the Load Related Expenditure Volume Drivers Governance Document and the other special conditions.
- 3.9.15 Before making a direction under paragraph 3.9.12, 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, including why the Authority believes that the modifications meet the requirements of 3.9.12 and 3.9.14; and
 - (c) a period during which representations may be made on the proposed direction, which must not be less than 28 days.
- 3.9.16 A direction under this Part must set out:
 - (a) the modifications to the Load Related Expenditure Volume Drivers Governance Document; and
 - (b) the date from which it is to have effect or the mechanism by which that date is to be determined.
- 3.9.17 The Authority must:
 - (a) ensure that any modifications of the Load Related Expenditure Volume Drivers Governance Document, whether under this Part or otherwise, are

Decision RIIO-ED2 Load Related Expenditure volume drivers Licence Modification

promptly incorporated into a consolidated version of the Load Related Expenditure Volume Drivers Governance Document;

- (b) send the consolidated version to the licensee; and
- (c) maintain a consolidated version on the Authority's Website.

Appendix 1**SRVD_t unit cost by activity type (£)**

Type i	Activity delivered SRCD_{t,i}	SRUC_{t,i}
1	Gross MVA released by installing a ground mounted Transformer, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£63,250/MVA
2	Gross MVA released by installing a pole mounted Transformer, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£89,470/MVA
3	Gross kilometres (km) of Low Voltage underground cables installed, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£141,310/km
4	Gross kilometres (km) of high voltage underground cables installed, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£127,270/km
5	Gross kilometres (km) of Low Voltage overhead lines installed, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£49,770/km
6	Gross kilometres (km) of high voltage overhead lines installed, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£39,600/km
7	Gross MVA or km deferred through the procurement of flexibility services, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	Derived in accordance with paragraph 3.9.6

Appendix 2**LVSVD_t unit cost by activity type (£)**

Decision RIIO-ED2 Load Related Expenditure volume drivers Licence Modification

Type i	Activity delivered LVSAR _{t,i}	LVSUC _{t,i} (Effective until <u>31 March</u> <u>2026</u>) <u>For activities</u> <u>Delivered in</u> <u>Regulatory</u> <u>Years</u> <u>2023/24</u> <u>2024/25</u> <u>And 2025/26</u>	LVSUC _{t,i} (Effective from <u>1 April</u> <u>2026</u>) <u>For activities</u> <u>Delivered in</u> <u>Regulatory</u> <u>Years</u> <u>2026/27</u> <u>And 2027/28</u>
1	Overhead pole line – Low Voltage Service (overhead line) additions, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£350 each	<u>£1,440 each</u>
2	Cable – Low Voltage Service (underground cable) additions, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£1,600 each	<u>£2,650 each</u>
3	Switchgear - cut out (Metered) additions, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£300 each	<u>£300 each</u>
4	Switchgear – fuse upgrade additions, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£130 each	<u>£130 each</u>

Appendix 3

SRVD and LVSVD – Ex ante allowances and caps for the Price Control Period (£m)

Licensee	SRVD (£m)		LVSVD (£m)	
	Ex ante allowance for RIIO-ED2	SRVD Cap	Ex ante allowance for RIIO-ED2	LVSVD Cap
ENWL	19.77	39.20 <u>52.30</u>	21.18 <u>26.33</u>	110.83

Decision RIIO-ED2 Load Related Expenditure volume drivers Licence Modification

NPgN	35.45	62.53	18.59 <u>24.80</u>	49.71
NPgY	76.14	114.17	31.43 <u>42.04</u>	74.88
WMID	64.76	119.33	18.64 <u>23.48</u>	35.04
EMID	56.44	111.52	20.94 <u>26.52</u>	48.46
SWALES	39.22	65.04	6.55 <u>8.59</u>	22.41
SWEST	44.29	85.78	9.25 <u>11.97</u>	19.18
LPN	34.12	72.49	5.13 <u>6.36</u>	19.09
SPN	29.53	61.50	8.42 <u>11.48</u>	24.37
EPN	48.21	106.72	9.50 <u>13.13</u>	34.04
SPD	41.47	74.55	42.95 <u>54.33</u>	110.97
SPMW	27.84	50.62	24.67 <u>31.10</u>	60.25
SSEH	13.77	27.43	6.55 <u>7.67</u>	24.31
SSES	48.02	104.71	9.99 <u>12.13</u>	46.86

Decision RIIO-ED2 Load Related Expenditure volume drivers Licence Modification

Annex 2: Proposed modifications to Special Condition 3.9 of the Electricity Distribution Licence held by London Power Networks plc

(New text is double underscored and text removed is double struck through. Changes since our statutory consultation are highlighted in yellow.)

Special Condition 3.9 Load Related Expenditure volume drivers (SRVD_t and LVSVD_t)

Introduction

- 3.9.1 The purpose of this condition is to calculate the terms SRVD_t (the secondary reinforcement volume driver term) and LVSVD_t (the Low Voltage services volume driver term). These terms contribute to the calculation of the Totex Allowance (in relation to which see the ED2 Price Control Financial Model).
- 3.9.2 The effect of this condition is to fund the licensee for Load Related Expenditure related to the activities listed at Appendix 1 and Appendix 2 during the Price Control Period.
- 3.9.3 This condition also establishes the Load Related Expenditure Volume Drivers Governance Document and the RIIO-ED2 LRE Volume Drivers Workbook as a licence instruments.

Part A: Formulae for calculating the secondary reinforcement volume driver term (SRVD_t)

- 3.9.4 The value of SRVD_t is derived in accordance with the following formula:

$$SRVD_t = \frac{\sum_i SRUC_{t,i} \times SRCD_{t,i}}{1,000,000}$$

where:

SRUC _{t,i}	means the unit cost of activity type i, set out in Appendix 1; and
SRCD _{t,i}	means the volumes of activity delivered of type i, as set out in Appendix 1.

- 3.9.5 The value of SRVD across the Price Control Period cannot exceed the cap set out in Appendix 3.
- 3.9.6 The value of SRUC_{ti} for gross MVA or km deferred through the procurement of flexibility services is derived in accordance with the following formula:

$$SRUC_{t,i} \times \left(1 - \left(\frac{1}{(1 + WACC_t)^n} \right) \right)$$

where:

Decision RIIO-ED2 Load Related Expenditure volume drivers Licence Modification

- SRUC_{t,i} means the unit cost for secondary reinforcement activity type i, that is being deferred by flexibility;
- WACC_t means vanilla weighted average cost of capital, derived in accordance with Chapter 4 of the ED2 Price Control Financial Handbook; and
- n means the forecast number of years of reinforcement deferral which cannot be more than five years.

Part B: Formula for calculating the Low Voltage services volume driver term (LVSVD_t)

3.9.7 The value of LVSVD_t is derived in accordance with the following formula:

$$LVSVD_t = \frac{\sum_i LVSUC_{t,i} \times LVSAR_{t,i}}{1,000,000}$$

where:

LVSUC _{t,i}	means the unit cost of activity type i, set out in Appendix 2; and
LVSAR _{t,i}	means the volumes of activity delivered of type i, as set out in Appendix 2.

3.9.8 The value of LVSVD across the Price Control Period cannot exceed the cap set out in Appendix 3.

Part C: Load Related Expenditure Volume Drivers Governance Document

- 3.9.9 The Load Related Expenditure Volume Drivers Governance Document forms part of this condition.
- 3.9.10 The Load Related Expenditure Volume Drivers Governance Document may make provision about the scope, governance, administration and review of the Load Related Expenditure volume drivers.
- 3.9.11 The licensee must comply with the Load Related Expenditure Volume Drivers Governance Document when:
- (a) incurring expenditure under these volume drivers; and
 - (b) in relation to the review of the volume drivers.
- 3.9.12 The Authority may only direct modifications to the Load Related Expenditure Volume Drivers Governance Document where:
- (a) it becomes aware of modifications of the type set out in paragraph 3.9.14 that would improve the clarity or usefulness to users of the Load Related Expenditure Volume Drivers Governance Document; and
 - (b) the modification will have no impact on the licensee's Allowed Revenue.

Decision RIIO-ED2 Load Related Expenditure volume drivers Licence Modification

- 3.9.13 For the purposes of paragraph 3.9.12 it is to be presumed that a modification which serves to correct a manifest error will have no impact on the licensee's Allowed Revenue.
- 3.9.14 The following categories of modifications may be made under this Part:
- (a) formatting changes such as re-numbering of paragraphs, capitalising defined terms, cell labelling, renaming or re-ordering of sections or worksheets;
 - (b) deleting irrelevant material such as transitional provisions that have expired;
 - (c) updates such as to dates, version numbers of documents, titles of re-enacted legislation and re-named bodies;
 - (d) consequential changes required to reflect modifications made to the special conditions such as amendments made to the Appendices to this condition; and
 - (e) corrections of manifest errors such as discrepancies between the Load Related Expenditure Volume Drivers Governance Document and the other special conditions.
- 3.9.15 Before making a direction under paragraph 3.9.12 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, including why the Authority believes that the modifications meet the requirements of 3.9.12 and 3.9.14; and
 - (c) a period during which representations may be made on the proposed direction, which must not be less than 28 days.
- 3.9.16 A direction under this Part must set out:
- (a) the modifications to the Load Related Expenditure Volume Drivers Governance Document; and
 - (b) the date from which it is to have effect or the mechanism by which that date is to be determined.
- 3.9.17 The Authority must:
- (a) ensure that any modifications of the Load Related Expenditure Volume Drivers Governance Document, whether under this Part or otherwise, are promptly incorporated into a consolidated version of the Load Related Expenditure Volume Drivers Governance Document;
 - (b) send the consolidated version to the licensee; and
 - (c) maintain a consolidated version on the Authority's Website.

Decision RIIO-ED2 Load Related Expenditure volume drivers Licence Modification**Appendix 1****SRVD_t unit cost by activity type (£)**

Type i	Activity delivered SRCD_{t,i}	SRUC_{t,i}
1	Gross MVA released by installing a ground mounted Transformer, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£82,150/MVA
2	Gross MVA released by installing a pole mounted Transformer, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£116,200/MVA
3	Gross kilometres (km) of Low Voltage underground cables installed, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£183,540/km
4	Gross kilometres (km) of high voltage underground cables installed, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£165,300/km
5	Gross kilometres (km) of Low Voltage overhead lines installed, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£64,640/km
6	Gross kilometres (km) of high voltage overhead lines installed, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£51,430/km
7	Gross MVA or km deferred through the procurement of flexibility services, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	Derived in accordance with paragraph 3.9.6

Appendix 2**LVSVD_t unit cost by activity type (£)**

Decision RIIO-ED2 Load Related Expenditure volume drivers Licence Modification

Type i	Activity delivered LVSAR _{t,i}	LVSUC _{t,i} (Effective until <u>31 March 2026</u>) <u>For activities Delivered in Regulatory Years 2023/24 2024/25 And 2025/26</u>	LVSUC _{t,i} (Effective from <u>1 April 2026</u>) <u>For activities Delivered in Regulatory Years 2026/27 And 2027/28</u>
1	Overhead pole line – Low Voltage Service (overhead line) additions, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£450 each	<u>£1,870 each</u>
2	Cable – Low Voltage Service (underground cable) additions, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£2,080 each	<u>£3,440 each</u>
3	Switchgear - cut out (Metered) additions, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£390 each	<u>£390 each</u>
4	Switchgear – fuse upgrade additions, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£160 each	<u>£160 each</u>

Appendix 3

SRVD and LVSVD – Ex ante allowances and caps for the Price Control Period (£m)

Licensee	SRVD (£m)		LVSVD (£m)	
	Ex ante allowance for RIIO-ED2	SRVD Cap	Ex ante allowance for RIIO-ED2	LVSVD Cap
ENWL	19.77	39.20 <u>52.30</u>	21.18 <u>26.33</u>	110.83

Decision RIIO-ED2 Load Related Expenditure volume drivers Licence Modification

NPgN	35.45	62.53	18.59 <u>24.80</u>	49.71
NPgY	76.14	114.17	31.43 <u>42.04</u>	74.88
WMID	64.76	119.33	18.64 <u>23.48</u>	35.04
EMID	56.44	111.52	20.94 <u>26.52</u>	48.46
SWALES	39.22	65.04	6.55 <u>8.59</u>	22.41
SWEST	44.29	85.78	9.25 <u>11.97</u>	19.18
LPN	34.12	72.49	5.13 <u>6.36</u>	19.09
SPN	29.53	61.50	8.42 <u>11.48</u>	24.37
EPN	48.21	106.72	9.50 <u>13.13</u>	34.04
SPD	41.47	74.55	42.95 <u>54.33</u>	110.97
SPMW	27.84	50.62	24.67 <u>31.10</u>	60.25
SSEH	13.77	27.43	6.55 <u>7.67</u>	24.31
SSES	48.02	104.71	9.99 <u>12.13</u>	46.86

Decision RIIO-ED2 Load Related Expenditure volume drivers Licence Modification

Annex 3: Proposed modifications to Special Condition 3.9 of the Electricity Distribution Licence held by South Eastern Power Networks plc

(New text is double underscored and text removed is double struck through. Changes since our statutory consultation are highlighted in yellow.)

Special Condition 3.9 Load Related Expenditure volume drivers (SRVD_t and LVSVD_t)

Introduction

- 3.9.1 The purpose of this condition is to calculate the terms SRVD_t (the secondary reinforcement volume driver term) and LVSVD_t (the Low Voltage services volume driver term). These terms contribute to the calculation of the Totex Allowance (in relation to which see the ED2 Price Control Financial Model).
- 3.9.2 The effect of this condition is to fund the licensee for Load Related Expenditure related to the activities listed at Appendix 1 and Appendix 2 during the Price Control Period.
- 3.9.3 This condition also establishes the Load Related Expenditure Volume Drivers Governance Document and the RIIO-ED2 LRE Volume Drivers Workbook as a licence instruments.

Part A: Formulae for calculating the secondary reinforcement volume driver term (SRVD_t)

- 3.9.4 The value of SRVD_t is derived in accordance with the following formula:

$$SRVD_t = \frac{\sum_i SRUC_{t,i} \times SRCD_{t,i}}{1,000,000}$$

where:

SRUC _{t,i}	means the unit cost of activity type i, set out in Appendix 1; and
SRCD _{t,i}	means the volumes of activity delivered of type i, as set out in Appendix 1.

- 3.9.5 The value of SRVD across the Price Control Period cannot exceed the cap set out in Appendix 3.
- 3.9.6 The value of SRUC_{t,i} for gross MVA or km deferred through the procurement of flexibility services is derived in accordance with the following formula:

$$SRUC_{t,i} \times \left(1 - \left(\frac{1}{(1 + WACC_t)^n} \right) \right)$$

where:

Decision RIIO-ED2 Load Related Expenditure volume drivers Licence Modification

- SRUC_{t,i} means the unit cost for secondary reinforcement activity type i, that is being deferred by flexibility;
- WACC_t means vanilla weighted average cost of capital, derived in accordance with Chapter 4 of the ED2 Price Control Financial Handbook; and
- n means the forecast number of years of reinforcement deferral which cannot be more than five years.

Part B: Formula for calculating the Low Voltage services volume driver term (LVSVD_t)

3.9.7 The value of LVSVD_t is derived in accordance with the following formula:

$$LVSVD_t = \frac{\sum_i LVSUC_{t,i} \times LVSAR_{t,i}}{1,000,000}$$

where:

LVSUC _{t,i}	means the unit cost of activity type i, set out in Appendix 2; and
LVSAR _{t,i}	means the volumes of activity delivered of type i, as set out in Appendix 2.

3.9.8 The value of LVSVD across the Price Control Period cannot exceed the cap set out in Appendix 3.

Part C: Load Related Expenditure Volume Drivers Governance Document

- 3.9.9 The Load Related Expenditure Volume Drivers Governance Document forms part of this condition.
- 3.9.10 The Load Related Expenditure Volume Drivers Governance Document may make provision about the scope, governance, administration and review of the Load Related Expenditure volume drivers.
- 3.9.11 The licensee must comply with the Load Related Expenditure Volume Drivers Governance Document when:
- (a) incurring expenditure under these volume drivers; and
 - (b) in relation to the review of the volume drivers.
- 3.9.12 The Authority may only direct modifications to the Load Related Expenditure Volume Drivers Governance Document where:
- (a) it becomes aware of modifications of the type set out in paragraph 3.9.14 that would improve the clarity or usefulness to users of the Load Related Expenditure Volume Drivers Governance Document; and
 - (b) the modification will have no impact on the licensee's Allowed Revenue.

Decision RIIO-ED2 Load Related Expenditure volume drivers Licence Modification

- 3.9.13 For the purposes of paragraph 3.9.12, it is to be presumed that a modification which serves to correct a manifest error will have no impact on the licensee's Allowed Revenue.
- 3.9.14 The following categories of modifications may be made under this Part:
- (a) formatting changes such as re-numbering of paragraphs, capitalising defined terms, cell labelling, renaming or re-ordering of sections or worksheets;
 - (b) deleting irrelevant material such as transitional provisions that have expired;
 - (c) updates such as to dates, version numbers of documents, titles of re-enacted legislation and re-named bodies;
 - (d) consequential changes required to reflect modifications made to the special conditions such as amendments made to the Appendices to this condition; and
 - (e) corrections of manifest errors such as discrepancies between the Load Related Expenditure Volume Drivers Governance Document and the other special conditions.
- 3.9.15 Before making a direction under paragraph 3.9.12, 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, including why the Authority believes that the modifications meet the requirements of 3.9.12 and 3.9.14; and
 - (c) a period during which representations may be made on the proposed direction, which must not be less than 28 days.
- 3.9.16 A direction under this Part must set out:
- (a) the modifications to the Load Related Expenditure Volume Drivers Governance Document; and
 - (b) the date from which it is to have effect or the mechanism by which that date is to be determined.
- 3.9.17 The Authority must:
- (a) ensure that any modifications of the Load Related Expenditure Volume Drivers Governance Document, whether under this Part or otherwise, are promptly incorporated into a consolidated version of the Load Related Expenditure Volume Drivers Governance Document;
 - (b) send the consolidated version to the licensee; and
 - (c) maintain a consolidated version on the Authority's Website.

Decision RIIO-ED2 Load Related Expenditure volume drivers Licence Modification**Appendix 1****SRVD_t unit cost by activity type (£)**

Type i	Activity delivered SRCD_{t,i}	SRUC_{t,i}
1	Gross MVA released by installing a ground mounted Transformer, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£68,020/MVA
2	Gross MVA released by installing a pole mounted Transformer, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£96,210/MVA
3	Gross kilometres (km) of Low Voltage underground cables installed, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£151,960/km
4	Gross kilometres (km) of high voltage underground cables installed, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£136,860/km
5	Gross kilometres (km) of Low Voltage overhead lines installed, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£53,520/km
6	Gross kilometres (km) of high voltage overhead lines installed, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£42,580/km
7	Gross MVA or km deferred through the procurement of flexibility services, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	Derived in accordance with paragraph 3.9.6

Appendix 2**LVSVD_t unit cost by activity type (£)**

Decision RIIO-ED2 Load Related Expenditure volume drivers Licence Modification

Type i	Activity delivered LVSAR _{t,i}	LVSUC _{t,i} (Effective until <u>31 March 2026</u>) <u>For activities Delivered in Regulatory Years 2023/24 2024/25 And 2025/26</u>	LVSUC _{t,i} (Effective from <u>1 April 2026</u>) <u>For activities Delivered in Regulatory Years 2026/27 And 2027/28</u>
1	Overhead pole line – Low Voltage Service (overhead line) additions, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£370 each	<u>£1,550 each</u>
2	Cable – Low Voltage Service (underground cable) additions, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£1,730 each	<u>£2,850 each</u>
3	Switchgear - cut out (Metered) additions, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£320 each	<u>£320 each</u>
4	Switchgear – fuse upgrade additions, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£130 each	<u>£130 each</u>

Appendix 3

SRVD and LVSVD – Ex ante allowances and caps for the Price Control Period (£m)

Licensee	SRVD (£m)		LVSVD (£m)	
	Ex ante allowance for RIIO-ED2	SRVD Cap	Ex ante allowance for RIIO-ED2	LVSVD Cap
ENWL	19.77	39.20 <u>52.30</u>	21.18 <u>26.33</u>	110.83

Decision RIIO-ED2 Load Related Expenditure volume drivers Licence Modification

NPgN	35.45	62.53	18.59 <u>24.80</u>	49.71
NPgY	76.14	114.17	31.43 <u>42.04</u>	74.88
WMID	64.76	119.33	18.64 <u>23.48</u>	35.04
EMID	56.44	111.52	20.94 <u>26.52</u>	48.46
SWALES	39.22	65.04	6.55 <u>8.59</u>	22.41
SWEST	44.29	85.78	9.25 <u>11.97</u>	19.18
LPN	34.12	72.49	5.13 <u>6.36</u>	19.09
SPN	29.53	61.50	8.42 <u>11.48</u>	24.37
EPN	48.21	106.72	9.50 <u>13.13</u>	34.04
SPD	41.47	74.55	42.95 <u>54.33</u>	110.97
SPMW	27.84	50.62	24.67 <u>31.10</u>	60.25
SSEH	13.77	27.43	6.55 <u>7.67</u>	24.31
SSES	48.02	104.71	9.99 <u>12.13</u>	46.86

Decision RIIO-ED2 Load Related Expenditure volume drivers Licence Modification

Annex 4: Proposed modifications to Special Condition 3.9 of the Electricity Distribution Licence held by Eastern Power Networks plc

(New text is double underscored and text removed is double struck through. Changes since our statutory consultation are highlighted in yellow.)

Special Condition 3.9 Load Related Expenditure volume drivers (SRVD_t and LVSVD_t)

Introduction

- 3.9.1 The purpose of this condition is to calculate the terms SRVD_t (the secondary reinforcement volume driver term) and LVSVD_t (the Low Voltage services volume driver term). These terms contribute to the calculation of the Totex Allowance (in relation to which see the ED2 Price Control Financial Model).
- 3.9.2 The effect of this condition is to fund the licensee for Load Related Expenditure related to the activities listed at Appendix 1 and Appendix 2 during the Price Control Period.
- 3.9.3 This condition also establishes the Load Related Expenditure Volume Drivers Governance Document and the RIIO-ED2 LRE Volume Drivers Workbook as a licence instruments.

Part A: Formulae for calculating the secondary reinforcement volume driver term (SRVD_t)

- 3.9.4 The value of SRVD_t is derived in accordance with the following formula:

$$SRVD_t = \frac{\sum_i SRUC_{t,i} \times SRCD_{t,i}}{1,000,000}$$

where:

SRUC _{t,i}	means the unit cost of activity type i, set out in Appendix 1; and
SRCD _{t,i}	means the volumes of activity delivered of type i, as set out in Appendix 1.

- 3.9.5 The value of SRVD across the Price Control Period cannot exceed the cap set out in Appendix 3.
- 3.9.6 The value of SRUC_{ti} for gross MVA or km deferred through the procurement of flexibility services is derived in accordance with the following formula:

$$SRUC_{t,i} \times \left(1 - \left(\frac{1}{(1 + WACC_t)^n} \right) \right)$$

where:

Decision RIIO-ED2 Load Related Expenditure volume drivers Licence Modification

- SRUC_{t,i} means the unit cost for secondary reinforcement activity type i, that is being deferred by flexibility;
- WACC_t means vanilla weighted average cost of capital, derived in accordance with Chapter 4 of the ED2 Price Control Financial Handbook; and
- n means the forecast number of years of reinforcement deferral which cannot be more than five years.

Part B: Formula for calculating the Low Voltage services volume driver term (LVSVD_t)

3.9.7 The value of LVSVD_t is derived in accordance with the following formula:

$$LVSVD_t = \frac{\sum_i LVSUC_{t,i} \times LVSAR_{t,i}}{1,000,000}$$

where:

LVSUC _{t,i}	means the unit cost of activity type i, set out in Appendix 2; and
LVSAR _{t,i}	means the volumes of activity delivered of type i, as set out in Appendix 2.

3.9.8 The value of LVSVD across the Price Control Period cannot exceed the cap set out in Appendix 3.

Part C: Load Related Expenditure Volume Drivers Governance Document

3.9.9 The Load Related Expenditure Volume Drivers Governance Document forms part of this condition.

3.9.10 The Load Related Expenditure Volume Drivers Governance Document may make provision about the scope, governance, administration and review of the Load Related Expenditure volume drivers.

3.9.11 The licensee must comply with the Load Related Expenditure Volume Drivers Governance Document when:

- (a) incurring expenditure under these volume drivers; and
- (b) in relation to the review of the volume drivers.

3.9.12 The Authority may only direct modifications to the Load Related Expenditure Volume Drivers Governance Document where:

- (a) it becomes aware of modifications of the type set out in paragraph 3.9.14 that would improve the clarity or usefulness to users of the Load Related Expenditure Volume Drivers Governance Document; and
- (b) the modification will have no impact on the licensee's Allowed Revenue.

Decision RIIO-ED2 Load Related Expenditure volume drivers Licence Modification

3.9.13 For the purposes of paragraph 3.9.12 it is to be presumed that a modification which serves to correct a manifest error will have no impact on the licensee's Allowed Revenue.

3.9.14 The following categories of modifications may be made under this Part:

- (a) formatting changes such as re-numbering of paragraphs, capitalising defined terms, cell labelling, renaming or re-ordering of sections or worksheets;
- (b) deleting irrelevant material such as transitional provisions that have expired;
- (c) updates such as to dates, version numbers of documents, titles of re-enacted legislation and re-named bodies;
- (d) consequential changes required to reflect modifications made to the special conditions such as amendments made to the Appendices to this condition; and
- (e) corrections of manifest errors such as discrepancies between the Load Related Expenditure Volume Drivers Governance Document and the other special conditions.

3.9.15 Before making a direction under paragraph 3.9.12, 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, including why the Authority believes that the modifications meet the requirements of 3.9.12 and 3.9.14; and
- (c) a period during which representations may be made on the proposed direction, which must not be less than 28 days.

3.9.16 A direction under this Part must set out:

- (a) the modifications to the Load Related Expenditure Volume Drivers Governance Document; and
- (b) the date from which it is to have effect or the mechanism by which that date is to be determined.

3.9.17 The Authority must:

- (a) ensure that any modifications of the Load Related Expenditure Volume Drivers Governance Document, whether under this Part or otherwise, are promptly incorporated into a consolidated version of the Load Related Expenditure Volume Drivers Governance Document;
- (b) send the consolidated version to the licensee; and
- (c) maintain a consolidated version on the Authority's Website.

Decision RIIO-ED2 Load Related Expenditure volume drivers Licence Modification**Appendix 1****SRVD_t unit cost by activity type (£)**

Type i	Activity delivered SRCD_{t,i}	SRUC_{t,i}
1	Gross MVA released by installing a ground mounted Transformer, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£66,010/MVA
2	Gross MVA released by installing a pole mounted Transformer, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£93,370/MVA
3	Gross kilometres (km) of Low Voltage underground cables installed, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£147,480/km
4	Gross kilometres (km) of high voltage underground cables installed, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£132,820/km
5	Gross kilometres (km) of Low Voltage overhead lines installed, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£51,940/km
6	Gross kilometres (km) of high voltage overhead lines installed, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£41,330/km
7	Gross MVA or km deferred through the procurement of flexibility services, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	Derived in accordance with paragraph 3.9.6

Appendix 2**LVSVD_t unit cost by activity type (£)**

Decision RIIO-ED2 Load Related Expenditure volume drivers Licence Modification

Type i	Activity delivered LVSAR _{t,i}	LVSUC _{t,i} (Effective until <u>31 March</u> <u>2026</u>) <u>For activities</u> <u>Delivered in</u> <u>Regulatory</u> <u>Years</u> <u>2023/24</u> <u>2024/25</u> <u>And 2025/26</u>	LVSUC _{t,i} (Effective from <u>1 April</u> <u>2026</u>) <u>For activities</u> <u>Delivered in</u> <u>Regulatory</u> <u>Years</u> <u>2026/27</u> <u>And 2027/28</u>
1	Overhead pole line – Low Voltage Service (overhead line) additions, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£360 each	<u>£1,500 each</u>
2	Cable – Low Voltage Service (underground cable) additions, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£1,670 each	<u>£2,760 each</u>
3	Switchgear - cut out (Metered) additions, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£310 each	<u>£310 each</u>
4	Switchgear – fuse upgrade additions, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£130 each	<u>£130 each</u>

Appendix 3

SRVD and LVSVD – Ex ante allowances and caps for the Price Control Period (£m)

Licensee	SRVD (£m)		LVSVD (£m)	
	Ex ante allowance for RIIO-ED2	SRVD Cap	Ex ante allowance for RIIO-ED2	LVSVD Cap
ENWL	19.77	39.20 <u>52.30</u>	21.18 <u>26.33</u>	110.83

Decision RIIO-ED2 Load Related Expenditure volume drivers Licence Modification

NPgN	35.45	62.53	18.59 <u>24.80</u>	49.71
NPgY	76.14	114.17	31.43 <u>42.04</u>	74.88
WMID	64.76	119.33	18.64 <u>23.48</u>	35.04
EMID	56.44	111.52	20.94 <u>26.52</u>	48.46
SWALES	39.22	65.04	6.55 <u>8.59</u>	22.41
SWEST	44.29	85.78	9.25 <u>11.97</u>	19.18
LPN	34.12	72.49	5.13 <u>6.36</u>	19.09
SPN	29.53	61.50	8.42 <u>11.48</u>	24.37
EPN	48.21	106.72	9.50 <u>13.13</u>	34.04
SPD	41.47	74.55	42.95 <u>54.33</u>	110.97
SPMW	27.84	50.62	24.67 <u>31.10</u>	60.25
SSEH	13.77	27.43	6.55 <u>7.67</u>	24.31
SSES	48.02	104.71	9.99 <u>12.13</u>	46.86

Decision RIIO-ED2 Load Related Expenditure volume drivers Licence Modification

Annex 5: Proposed modifications to Special Condition 3.9 of the Electricity Distribution Licence held by SP Manweb plc

(New text is double underscored and text removed is double struck through. Changes since our statutory consultation are highlighted in yellow.)

Special Condition 3.9 Load Related Expenditure volume drivers (SRVD_t and LVSVD_t)

Introduction

- 3.9.1 The purpose of this condition is to calculate the terms SRVD_t (the secondary reinforcement volume driver term) and LVSVD_t (the Low Voltage services volume driver term). These terms contribute to the calculation of the Totex Allowance (in relation to which see the ED2 Price Control Financial Model).
- 3.9.2 The effect of this condition is to fund the licensee for Load Related Expenditure related to the activities listed at Appendix 1 and Appendix 2 during the Price Control Period.
- 3.9.3 This condition also establishes the Load Related Expenditure Volume Drivers Governance Document and the RIIO-ED2 LRE Volume Drivers Workbook as a licence instruments.

Part A: Formulae for calculating the secondary reinforcement volume driver term (SRVD_t)

- 3.9.4 The value of SRVD_t is derived in accordance with the following formula:

$$SRVD_t = \frac{\sum_i SRUC_{t,i} \times SRCD_{t,i}}{1,000,000}$$

where:

SRUC _{t,i}	means the unit cost of activity type i, set out in Appendix 1; and
SRCD _{t,i}	means the volumes of activity delivered of type i, as set out in Appendix 1.

- 3.9.5 The value of SRVD across the Price Control Period cannot exceed the cap set out in Appendix 3.
- 3.9.6 The value of SRUC_{ti} for gross MVA or km deferred through the procurement of flexibility services is derived in accordance with the following formula:

$$SRUC_{t,i} \times \left(1 - \left(\frac{1}{(1 + WACC_t)^n} \right) \right)$$

where:

Decision RIIO-ED2 Load Related Expenditure volume drivers Licence Modification

- SRUC_{t,i} means the unit cost for secondary reinforcement activity type i, that is being deferred by flexibility;
- WACC_t means vanilla weighted average cost of capital, derived in accordance with Chapter 4 of the ED2 Price Control Financial Handbook; and
- n means the forecast number of years of reinforcement deferral which cannot be more than five years.

Part B: Formula for calculating the Low Voltage services volume driver term (LVSVD_t)

3.9.7 The value of LVSVD_t is derived in accordance with the following formula:

$$LVSVD_t = \frac{\sum_i LVSUC_{t,i} \times LVSAR_{t,i}}{1,000,000}$$

where:

LVSUC _{t,i}	means the unit cost of activity type i, set out in Appendix 2; and
LVSAR _{t,i}	means the volumes of activity delivered of type i, as set out in Appendix 2.

3.9.8 The value of LVSVD across the Price Control Period cannot exceed the cap set out in Appendix 3.

Part C: Load Related Expenditure Volume Drivers Governance Document

3.9.9 The Load Related Expenditure Volume Drivers Governance Document forms part of this condition.

3.9.10 The Load Related Expenditure Volume Drivers Governance Document may make provision about the scope, governance, administration and review of the Load Related Expenditure volume drivers.

3.9.11 The licensee must comply with the Load Related Expenditure Volume Drivers Governance Document when:

- a) incurring expenditure under these volume drivers; and
- b) in relation to the review of the volume drivers.

3.9.12 The Authority may only direct modifications to the Load Related Expenditure Volume Drivers Governance Document where:

- a) it becomes aware of modifications of the type set out in paragraph 3.9.14 that would improve the clarity or usefulness to users of the Load Related Expenditure Volume Drivers Governance Document; and
- b) the modification will have no impact on the licensee's Allowed Revenue.

Decision RIIO-ED2 Load Related Expenditure volume drivers Licence Modification

3.9.13 For the purposes of paragraph 3.9.12, it is to be presumed that a modification which serves to correct a manifest error will have no impact on the licensee's Allowed Revenue.

3.9.14 The following categories of modifications may be made under this Part:

- a) formatting changes such as re-numbering of paragraphs, capitalising defined terms, cell labelling, renaming or re-ordering of sections or worksheets;
- b) deleting irrelevant material such as transitional provisions that have expired;
- c) updates such as to dates, version numbers of documents, titles of re-enacted legislation and re-named bodies;
- d) consequential changes required to reflect modifications made to the special conditions such as amendments made to the Appendices to this condition; and
- e) corrections of manifest errors such as discrepancies between the Load Related Expenditure Volume Drivers Governance Document and the other special conditions.

3.9.15 Before making a direction under paragraph 3.9.12, 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, including why the Authority believes that the modifications meet the requirements of 3.9.12 and 3.9.14; and
- c) a period during which representations may be made on the proposed direction, which must not be less than 28 days.

3.9.16 A direction under this Part must set out:

- a) the modifications to the Load Related Expenditure Volume Drivers Governance Document; and
- b) the modifications to the Load Related Expenditure Volume Drivers Governance Document; and
- c) the date from which it is to have effect or the mechanism by which that date is to be determined.

3.9.17 The Authority must:

- a) ensure that any modifications of the Load Related Expenditure Volume Drivers Governance Document, whether under this Part or otherwise, are promptly incorporated into a consolidated version of the Load Related Expenditure Volume Drivers Governance Document;
- b) send the consolidated version to the licensee; and
- c) maintain a consolidated version on the Authority's Website.

Decision RIIO-ED2 Load Related Expenditure volume drivers Licence Modification**Appendix 1****SRVD_t unit cost by activity type (£)**

Type i	Activity delivered SRCD_{t,i}	SRUC_{t,i}
1	Gross MVA released by installing a ground mounted Transformer, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£66,630/MVA
2	Gross MVA released by installing a pole mounted Transformer, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£94,250/MVA
3	Gross kilometres (km) of Low Voltage underground cables installed, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£148,860/km
4	Gross kilometres (km) of high voltage underground cables installed, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£134,070/km
5	Gross kilometres (km) of Low Voltage overhead lines installed, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£52,420/km
6	Gross kilometres (km) of high voltage overhead lines installed, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£41,710/km
7	Gross MVA or km deferred through the procurement of flexibility services, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	Derived in accordance with paragraph 3.9.6

Appendix 2**LVSVD_t unit cost by activity type (£)**

Decision RIIO-ED2 Load Related Expenditure volume drivers Licence Modification

Type i	Activity delivered LVSAR _{t,i}	LVSUC _{t,i} (Effective until <u>31 March</u> <u>2026</u>) <u>For activities</u> <u>Delivered in</u> <u>Regulatory</u> <u>Years</u> <u>2023/24</u> <u>2024/25</u> <u>And 2025/26</u>	LVSUC _{t,i} (Effective from <u>1 April</u> <u>2026</u>) <u>For activities</u> <u>Delivered in</u> <u>Regulatory</u> <u>Years</u> <u>2026/27</u> <u>And 2027/28</u>
1	Overhead pole line – Low Voltage Service (overhead line) additions, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£360 each	<u>£1,520 each</u>
2	Cable – Low Voltage Service (underground cable) additions, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£1,690 each	<u>£2,790 each</u>
3	Switchgear - cut out (Metered) additions, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£320 each	<u>£320 each</u>
4	Switchgear – fuse upgrade additions, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£130 each	<u>£130 each</u>

Appendix 3

SRVD and LVSVD – Ex ante allowances and caps for the Price Control Period (£m)

Licensee	SRVD (£m)		LVSVD (£m)	
	Ex ante allowance for RIIO-ED2	SRVD Cap	Ex ante allowance for RIIO-ED2	LVSVD Cap
ENWL	19.77	39.20 <u>52.30</u>	21.18 <u>26.33</u>	110.83

Decision RIIO-ED2 Load Related Expenditure volume drivers Licence Modification

NPgN	35.45	62.53	18.59 <u>24.80</u>	49.71
NPgY	76.14	114.17	31.43 <u>42.04</u>	74.88
WMID	64.76	119.33	18.64 <u>23.48</u>	35.04
EMID	56.44	111.52	20.94 <u>26.52</u>	48.46
SWALES	39.22	65.04	6.55 <u>8.59</u>	22.41
SWEST	44.29	85.78	9.25 <u>11.97</u>	19.18
LPN	34.12	72.49	5.13 <u>6.36</u>	19.09
SPN	29.53	61.50	8.42 <u>11.48</u>	24.37
EPN	48.21	106.72	9.50 <u>13.13</u>	34.04
SPD	41.47	74.55	42.95 <u>54.33</u>	110.97
SPMW	27.84	50.62	24.67 <u>31.10</u>	60.25
SSEH	13.77	27.43	6.55 <u>7.67</u>	24.31
SSES	48.02	104.71	9.99 <u>12.13</u>	46.86

Decision RIIO-ED2 Load Related Expenditure volume drivers Licence Modification

Annex 6: Proposed modifications to Special Condition 3.9 of the Electricity Distribution Licence held by Southern Electric Power Distribution plc

(New text is double underscored and text removed is double struck through. Changes since our statutory consultation are highlighted in yellow.)

Special Condition 3.9 Load Related Expenditure volume drivers (SRVD_t and LVSVD_t)

Introduction

- 3.9.1 The purpose of this condition is to calculate the terms SRVD_t (the secondary reinforcement volume driver term) and LVSVD_t (the Low Voltage services volume driver term). These terms contribute to the calculation of the Totex Allowance (in relation to which see the ED2 Price Control Financial Model).
- 3.9.2 The effect of this condition is to fund the licensee for Load Related Expenditure related to the activities listed at Appendix 1 and Appendix 2 during the Price Control Period.
- 3.9.3 This condition also establishes the Load Related Expenditure Volume Drivers Governance Document and the RIIO-ED2 LRE Volume Drivers Workbook as a licence instruments.

Part A: Formulae for calculating the secondary reinforcement volume driver term (SRVD_t)

- 3.9.4 The value of SRVD_t is derived in accordance with the following formula:

$$SRVD_t = \frac{\sum_i SRUC_{t,i} \times SRCD_{t,i}}{1,000,000}$$

where:

SRUC _{t,i}	means the unit cost of activity type i, set out in Appendix 1; and
SRCD _{t,i}	means the volumes of activity delivered of type i, as set out in Appendix 1.

- 3.9.5 The value of SRVD across the Price Control Period cannot exceed the cap set out in Appendix 3.
- 3.9.6 The value of SRUC_{ti} for gross MVA or km deferred through the procurement of flexibility services is derived in accordance with the following formula:

$$SRUC_{t,i} \times \left(1 - \left(\frac{1}{(1 + WACC_t)^n} \right) \right)$$

where:

Decision RIIO-ED2 Load Related Expenditure volume drivers Licence Modification

- SRUC_{t,i} means the unit cost for secondary reinforcement activity type i, that is being deferred by flexibility;
- WACC_t means vanilla weighted average cost of capital, derived in accordance with Chapter 4 of the ED2 Price Control Financial Handbook; and
- n means the forecast number of years of reinforcement deferral which cannot be more than five years.

Part B: Formula for calculating the Low Voltage services volume driver term (LVSVD_t)

3.9.7 The value of LVSVD_t is derived in accordance with the following formula:

$$LVSVD_t = \frac{\sum_i LVSUC_{t,i} \times LVSAR_{t,i}}{1,000,000}$$

where:

LVSUC _{t,i}	means the unit cost of activity type i, set out in Appendix 2; and
LVSAR _{t,i}	means the volumes of activity delivered of type i, as set out in Appendix 2.

3.9.8 The value of LVSVD across the Price Control Period cannot exceed the cap set out in Appendix 3.

Part C: Load Related Expenditure Volume Drivers Governance Document

3.9.9 The Load Related Expenditure Volume Drivers Governance Document forms part of this condition.

3.9.10 The Load Related Expenditure Volume Drivers Governance Document may make provision about the scope, governance, administration and review of the Load Related Expenditure volume drivers.

3.9.11 The licensee must comply with the Load Related Expenditure Volume Drivers Governance Document when:

- (a) incurring expenditure under these volume drivers; and
- (b) in relation to the review of the volume drivers.

3.9.12 The Authority may only direct modifications to the Load Related Expenditure Volume Drivers Governance Document where:

- (a) it becomes aware of modifications of the type set out in paragraph 3.9.14 that would improve the clarity or usefulness to users of the Load Related Expenditure Volume Drivers Governance Document; and
- (b) the modification will have no impact on the licensee's Allowed Revenue.

Decision RIIO-ED2 Load Related Expenditure volume drivers Licence Modification

3.9.13 For the purposes of paragraph 3.9.12, it is to be presumed that a modification which serves to correct a manifest error will have no impact on the licensee's Allowed Revenue.

3.9.14 The following categories of modifications may be made under this Part:

- (a) formatting changes such as re-numbering of paragraphs, capitalising defined terms, cell labelling, renaming or re-ordering of sections or worksheets;
- (b) deleting irrelevant material such as transitional provisions that have expired;
- (c) updates such as to dates, version numbers of documents, titles of re-enacted legislation and re-named bodies;
- (d) consequential changes required to reflect modifications made to the special conditions such as amendments made to the Appendices to this condition; and
- (e) corrections of manifest errors such as discrepancies between the Load Related Expenditure Volume Drivers Governance Document and the other special conditions.

3.9.15 Before making a direction under paragraph 3.9.12 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, including why the Authority believes that the modifications meet the requirements of 3.9.12 and 3.9.14; and
- (c) a period during which representations may be made on the proposed direction, which must not be less than 28 days.

3.9.16 A direction under this Part must set out:

- (a) the modifications to the Load Related Expenditure Volume Drivers Governance Document; and
- (b) the date from which it is to have effect or the mechanism by which that date is to be determined.

3.9.17 The Authority must:

- (a) ensure that any modifications of the Load Related Expenditure Volume Drivers Governance Document, whether under this Part or otherwise, are promptly incorporated into a consolidated version of the Load Related Expenditure Volume Drivers Governance Document;
- (b) send the consolidated version to the licensee; and
- (c) maintain a consolidated version on the Authority's Website.

Decision RIIO-ED2 Load Related Expenditure volume drivers Licence Modification**Appendix 1****SRVD_t unit cost by activity type (£)**

Type i	Activity delivered SRCD_{t,i}	SRUC_{t,i}
1	Gross MVA released by installing a ground mounted Transformer, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£67,580/MVA
2	Gross MVA released by installing a pole mounted Transformer, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£95,590/MVA
3	Gross kilometres (km) of Low Voltage underground cables installed, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£150,990/km
4	Gross kilometres (km) of high voltage underground cables installed, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£135,990/km
5	Gross kilometres (km) of Low Voltage overhead lines installed, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£53,170/km
6	Gross kilometres (km) of high voltage overhead lines installed, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£42,310/km
7	Gross MVA or km deferred through the procurement of flexibility services, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	Derived in accordance with paragraph 3.9.6

Appendix 2**LVSVD_t unit cost by activity type (£)**

Decision RIIO-ED2 Load Related Expenditure volume drivers Licence Modification

Type i	Activity delivered LVSAR _{t,i}	LVSUC _{t,i} (Effective until <u>31 March</u> <u>2026</u>) <u>For activities</u> <u>Delivered in</u> <u>Regulatory</u> <u>Years</u> <u>2023/24</u> <u>2024/25</u> <u>And 2025/26</u>	LVSUC _{t,i} (Effective from <u>1 April</u> <u>2026</u>) <u>For activities</u> <u>Delivered in</u> <u>Regulatory</u> <u>Years</u> <u>2026/27</u> <u>And 2027/28</u>
1	Overhead pole line – Low Voltage Service (overhead line) additions, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£370 each	<u>£1,540 each</u>
2	Cable – Low Voltage Service (underground cable) additions, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£1,710 each	<u>£2,830 each</u>
3	Switchgear - cut out (Metered) additions, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£320 each	<u>£320 each</u>
4	Switchgear – fuse upgrade additions, determined in accordance with the Load Related Expenditure Volume Drivers Governance Document	£130 each	<u>£130 each</u>

Appendix 3

SRVD and LVSVD – Ex ante allowances and caps for the Price Control Period (£m)

Licensee	SRVD (£m)		LVSVD (£m)	
	Ex ante allowance for RIIO-ED2	SRVD Cap	Ex ante allowance for RIIO-ED2	LVSVD Cap
ENWL	19.77	39.20 <u>52.30</u>	21.18 <u>26.33</u>	110.83

Decision RIIO-ED2 Load Related Expenditure volume drivers Licence Modification

NPgN	35.45	62.53	18.59 <u>24.80</u>	49.71
NPgY	76.14	114.17	31.43 <u>42.04</u>	74.88
WMID	64.76	119.33	18.64 <u>23.48</u>	35.04
EMID	56.44	111.52	20.94 <u>26.52</u>	48.46
SWALES	39.22	65.04	6.55 <u>8.59</u>	22.41
SWEST	44.29	85.78	9.25 <u>11.97</u>	19.18
LPN	34.12	72.49	5.13 <u>6.36</u>	19.09
SPN	29.53	61.50	8.42 <u>11.48</u>	24.37
EPN	48.21	106.72	9.50 <u>13.13</u>	34.04
SPD	41.47	74.55	42.95 <u>54.33</u>	110.97
SPMW	27.84	50.62	24.67 <u>31.10</u>	60.25
SSEH	13.77	27.43	6.55 <u>7.67</u>	24.31
SSES	48.02	104.71	9.99 <u>12.13</u>	46.86