

Consultation

Modifications to Special Condition 3.2 Part D of the Electricity Distribution Licence – Electricity System Restoration Re-opener

Publication date:	2 October 2026
Response deadline:	30 October 2026
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We¹ are consulting on a proposal to modify Special Condition 3.2 of the Electricity Distribution Licence held by SP Distribution plc (SPD) and SP Manweb plc (SPM). We are proposing to implement a Price Control Deliverable (PCD) in line with our Final Determinations for the Electricity System Restoration (ESR) Re-opener dated 2 October 2026. This document also seeks stakeholder views on the wording of the PCD and the associated licence change.

¹ The terms ‘the Authority’, ‘Ofgem’, ‘we’ and ‘us’ are used interchangeably in this document. The Authority is the Gas and Electricity Markets Authority. Ofgem is the office of the Authority.

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1. Introduction

Purpose of this consultation

- 1.1 SP Energy Networks (SPEN) applied in June 2025 on behalf of its SP Distribution and SP Manweb licensees for additional RIIO-ED2 funding under the Special Condition (SpC) 3.2 Part D Electricity System Restoration (ESR) Re-opener. We consulted on our Draft Determinations from 18 May 2026 to 22 June 2026, proposing to allow £63.512m of the £65.244m requested across seven initiatives. We received two responses, from SPEN and National Grid Electricity Distribution. We published our Final Determinations on 2 October 2026, confirming our decision to allow £63.512m for the 2025 ESR Re-opener.²
- 1.2 The purpose of this consultation is to seek stakeholder views on our proposed modifications to the existing SpC3.2 of the Licence to enable the ESR Re-opener allowances under SpC3.2 to be subject to or linked to a Price Control Deliverable (PCD) in line with our Final Determinations for the ESR Re-opener dated 2 October 2026. The consultation also seeks stakeholder views on the wording of the PCD and the associated licence change.
- 1.3 The PCD will help provide assurance that the funded outputs are delivered within the timeframes proposed by SPEN and approved by us. It also enables us to clawback any unspent allowance due to non-delivery or under-delivery of an activity or project funded through the ESR Re-opener, thereby mitigating risk and protecting the consumer from bearing unnecessary costs.

Context and related publications

- 1.4 Other previously published closely related documents are:
- [RIIO-ED2 Final Determinations | Ofgem](#)
 - [Re-opener Guidance and Application Requirements | Ofgem](#)
 - [RIIO-ED2 SPEN Final Determinations](#)
- 1.5 SpCs (particularly SpC 3.2 Part D and Parts U-W) of the [Licence](#)
- [SPEN's ESR Re-opener application published version](#)
 - [RIIO-ED2 2025 Electricity System Restoration Re-opener | Ofgem](#)

² [RIIO-ED2 2025 Electricity System Restoration Re-opener | Ofgem](#)

Consultation stages

1.6 The key stages of our engagement, development and decision-making process are summarised below:

- **Stage 1** Consultation open: 2 October 2026
- **Stage 2** Consultation closes (awaiting decision). Deadline for responses: 30 October 2026
- **Stage 3** Responses reviewed and published: Autumn 2026
- **Stage 4** Consultation outcome (decision or policy statement): Autumn 2026³

How to respond

1.7 We want to hear from anyone interested in this consultation. Please send your response to the person or team named on the front page of this document.

1.8 We have asked for your feedback in each of the questions throughout. Please respond to each one as fully as you can.

1.9 We will publish non-confidential responses on our website.

Your response, data, and confidentiality

1.10 You can ask us to keep your response, or parts of your response, confidential. We will respect this, subject to obligations to disclose information. For example, under the Freedom of Information Act 2000, the Environmental Information Regulations 2004, statutory directions, court orders, government regulations, or where you give us explicit permission to disclose. If you do want us to keep your response confidential, please clearly mark this on your response and explain why.

1.11 If you wish us to keep part of your response confidential, please clearly mark those parts of your response that you do wish to be kept confidential and those that you do not wish to be kept confidential. Please put the confidential material in a separate appendix to your response. If necessary, we will contact you to discuss which parts of the information in your response should be kept confidential and which can be published. We might ask for reasons why.

1.12 If the information you give in your response contains personal data under the General Data Protection Regulation (Regulation (EU) 2016/679) as retained in domestic law following the United Kingdom's withdrawal from the European Union ("UK GDPR"), the Gas and Electricity Markets Authority will be the data controller for the purposes of GDPR. Ofgem uses the information in responses in

³ There will be a 56 day stand still period post any licence modification decision before it takes effect.

Consultation Modifications to Special Condition 3.2 Part D of the Electricity Distribution Licence – Electricity System Restoration Re-opener performing its statutory functions and in accordance with section 105 of the Utilities Act 2000. Please refer to our Privacy Notice on consultations, see Appendix 2.

- 1.13 If you wish to respond confidentially, we will keep your response confidential, but we will publish the number, but not the names, of confidential responses we receive. We will not link responses to respondents if we publish a summary of responses, and we will evaluate each response on its own merits without undermining your right to confidentiality.

How to track the progress of a consultation

1. Find the web page for the consultation you would like to receive updates on.
2. Click 'Get emails about this page', enter your email address and click 'Submit'.
3. You will receive an email to notify you when it has changed status.

2. Reasons for the proposed modifications

- 2.1 PCDs can be put in place to ensure companies are held to account to deliver specific outputs. If an output is not delivered or delivered to a specific standard, there is then a mechanism in place to refund customers. Where there are cost and volume uncertainties around certain network activities, PCDs allow funding to be allocated for these works but protect consumers against unspent allowances. If a DNO does not deliver its PCDs during the Electricity Distribution price control applicable to the specified Delivery Date, then the price control framework provides for all or some of the relevant PCD allowances to be clawed back in accordance with SpC 3.3 (Evaluative Price Control Deliverables).
- 2.2 We propose to add entries to SpC 3.2 Appendix 3 for each ESR Re-opener initiative, specifying the relevant output, delivery date and associated allowance, so that delivery can be assessed at close-out under SpC 3.3 and the allowance adjusted where an output has not been fully delivered.
- 2.3 SPEN raised concerns about the PCDs in response to our ESR Re-opener Draft Determinations that a rigid or binary approach could create unintended delivery issues and inefficient outcomes given the limited time in RIIO-ED2 and the complexity and interdependencies of the initiatives and favoured a milestone or volume-based assessment. We nevertheless consider PCDs important to ensure that the allowances remain linked to outputs and standards on which funding was approved and to protect consumers through proportionate clawback where delivery is incomplete.
- 2.4 The reason for the proposed modifications is to amend SpC3.2 so that allowances awarded through the ESR Re-opener can be linked to or subject to the assessment set out for PCD in SpC3.3 of the licence. The proposed modifications set out how the PCD will hold SPD and SPM accountable for delivering funded outputs within the specified delivery date.
- 2.5 SPEN has submitted forecast costs in its 2025 ESR Re-opener application for the remaining years of the price control. Although allowances set during the price control through re-openers are more certain than the alternative of setting them as baseline ahead of the price control, some uncertainty remains. There is therefore a risk that consumers bear the cost of unspent allowances due to non-delivery or under-delivery of an activity or project funded through a re-opener. A PCD mechanism is a way to mitigate this risk and protect consumers from unnecessary costs.

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- 2.6 The effect of these proposed changes is therefore to protect consumers by allowing Ofgem to clawback funding if SPD and SPM do not deliver the required outputs, or do not deliver them to the required standard.
- 2.7 The proposed modifications to SpC3.2 are detailed in Appendix 1, including the relevant allowance tables and PCD outputs. Figures are presented in £m and rounded to three decimal places. As a result, totals derived from the rounded figures in the table may not sum exactly to the reported total allowance.

Send us your feedback

We believe that consultation is at the heart of good policy development. We are keen to receive your comments about this consultation. 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?

Please send your feedback to stakeholders@ofgem.gov.uk.

Appendix 1. Statutory notice of licence modification

Introductory Note

We are proposing to modify Special Condition 3.2 of the electricity distribution licences held by SPD and SPM.

To: SP Distribution plc, SP Manweb plc

Electricity Act 1989

Section 11A(2)

Notice of statutory consultation on a proposal to modify the Special Conditions of the electricity distribution licences held by SP Distribution plc (SPD) and SP Manweb plc (SPM)

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)(c) of the Electricity Act 1989 (the ‘Act’).
2. The Gas and Electricity Markets Authority (the ‘Authority’)³ proposes to modify the existing special conditions(‘SpC’) of the Licence by amending SpC 3.2 Appendix 3 in the manner set out in Annex 1 below.
3. The effect of these proposed modifications is to enable the re-opener allowances awarded under SpC 3.2 Part D: Electricity System Restoration (ESR) Re-opener to be subject to a Price Control Deliverable (‘PCD’) in line with our Final Determinations for the SPD and SPM ESR Re-opener dated 2 October 2026.
4. PCDs will ensure SPD and SPM are held to account to deliver outputs relating to seven specific initiatives. If these outputs are not delivered or delivered to a specific standard, there is then a mechanism in place to refund customers. Where there are cost and volume uncertainties around their network activities, PCDs allow funding to be allocated for these works but protect consumers against unspent allowances. SPEN has submitted forecasted costs in its 2025 application for the remaining years of the price control. Although allowances set during the price control through re-openers are more certain than the alternative of setting them as baseline ahead of the price control, some uncertainty remains. There is therefore a risk, that consumers bear, of unspent allowances due to non-delivery or under-delivery of an activity or project funded through a

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re-opener. A PCD mechanism is a way to mitigate this risk and protect consumers from unnecessary costs.⁴

5. If a DNO does not deliver its PCDs during the Electricity Distribution price control applicable to the specified Delivery Date, then the price control framework provides for all or some of the relevant PCD allowances to be clawed back in accordance with SpC 3.3 (Evaluative Price Control Deliverables).
6. Further details on the reasons for the proposed modifications can be found in our [RIIO-ED2 2025 Electricity System Restoration Re-opener | Ofgem](#) document available on our website. The full text of the proposed modifications to SpC 3.2 (including Appendix 3 to SpC 3.2) are set out in Annex 1, with the new text to be added shown double underscored and text removed shown struck through.
7. A copy of the proposed modifications and other documents referred to in this notice have been published on our website (www.ofgem.gov.uk). Alternatively, they are available from information.rights@ofgem.gov.uk.
8. Any representations with respect to the proposed modifications to the Licence must be made on or before 30 October 2026 to: Gabriel Fatokunbo, Office of Gas and Electricity Markets, 10 South Colonnade, Canary Wharf, London, E14 4PU or by email to ReopenerConsultations@ofgem.gov.uk.
9. We normally publish all responses on our website. However, if you do not wish your response to be made public then please clearly mark it as not for publication. We prefer to receive responses in an electronic form so they can be placed easily on our website.
10. If we decide to make the proposed modifications, they will take effect not less than 56 days after the decision to modify the licence is published.

.....

James Veaney

Duly authorised on behalf of the

Gas and Electricity Markets Authority

2 October 2026

⁴ More detail on PCDs can be found in Chapter 3 of RIIO-ED2 FDs Overview Document - [RIIO-ED2 Final Determinations Overview document.pdf](#)

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Annex 1: Proposed modifications to Special Condition 3.2 Appendix 3.

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

(for SPD and SPM)

Appendix 3

Price Control Deliverables Associated Allowances (£m)

DNO	Re-opener	Output	Delivery Date	2023/24	2024/25	2025/26	2026/27	2027/28	Total (ED2)	Post ED2
ENWL	Part K	Connection: Deliver 5265 connections by the end of ED2	31 Mar 2028	2.060	5.390	14.060	16.180	18.910	56.600	N/A
ENWL	Part K	Peel: In Project Handover Stage to deliver the reinforcement in Peel 132kV Substation	31 Mar 2027	3.200	2.200	2.600	0.700	0.000	8.700	N/A
ENWL	Part K	Harker: In Construction Phase	31 Mar 2028	1.190	5.140	4.900	4.140	4.670	20.050	N/A

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		to deliver 480MVA of capacity and aligns with NGET's broader upgrades at the Harker site								
ENWL	Part K	Cumbria Ring: In Construction Phase to deliver 130MVA of capacity	31 Mar 2028	0.070	0.330	5.050	9.440	9.510	24.400	N/A
ENWL	Part K	Blackpool Enterprise Zone: In Construction Phase to deliver 32MVA of capacity at Blackpool BSP	31 Mar 2028	0.000	1.300	1.100	1.300	0.800	4.500	N/A
ENWL	Part K	Heysham / Middleton: In Pre-Construction Phase to provide a new connection with NGET by establishing a new Middleton GSP	31 Mar 2028	0.000	0.000	0.200	1.400	1.600	3.200	N/A
ENWL	Part K	Wigan BSP: In Pre-Construction Phase to install 5 bays of	31 Mar 2028	0.000	0.000	1.110	1.110	1.150	3.370	N/A

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		132kV switchgear at Wigan / Orrell BSP								
SSEH	Part O	Islay – Jura: Deliver a multi circuit solution to Islay and Jura, capable of providing N-2 resilience for full island demand / capability for long duration outages specifically related to the loss of up to two in feeding submarine cable circuits, with a minimum subsea cable transfer capacity of 70MVA per subsea cable. (A) Output as above in line with ED3 demand. (B) Onshore reinforcements to maintain N-2 resilience	(A) 31/03/2033 (ED3) (B) 31/03/2043 (ED5)	0.000	0.000	0.233	7.083	26.800	34.116	(A) 141.074 (ED3) (B) 18.900 (ED4 and ED5)

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		in line with increasing projected demand over ED4 and ED5.								
SSEH	Part O	Orkney: delivery of a new Overhead line and/or cable sections and subsea cable route between Mainland GB and Orkney with a minimum transfer capacity of 70MVA which may initially be operated at 33kV with a transfer capacity of at least 33MVA [under normal operating conditions].	31/03/2033	0.000	0.000	0.000	2.557	12.890	15.447	N/A
<u>SPM</u>	<u>Part D</u>	<u>Initiative 1- 132kV Network Resilience: Install backup generators and, where required, battery upgrades at 132kV substations</u>	<u>31 March 2028</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1.673</u>	<u>2.231</u>	<u>3.904</u>	<u>N/A</u>

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		<u>below the resilience threshold to enable fully remote operation for a 120-hour Electricity System Restoration event without manual intervention.</u>								
<u>SPD</u>	<u>Part D</u>	<u>Initiative 2 – Primary Substations Network Resilience: Install upgraded battery and charger systems and black start controllers at selected SPD primary substations below the resilience threshold, enabling autonomous operation and remote control for up to 120 hours during an Electricity System Restoration event.</u>	<u>31 March 2028</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.815</u>	<u>1.246</u>	<u>2.061</u>	<u>N/A</u>
<u>SPM</u>	<u>Part D</u>	<u>Initiative 2 – Primary Substations Network</u>	<u>31 March 2028</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1.549</u>	<u>2.388</u>	<u>3.937</u>	<u>N/A</u>

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		<u>Resilience: Install upgraded battery and charger systems and black start controllers at selected SPM primary substations below the resilience threshold, enabling autonomous operation and remote control for up to 120 hours during an Electricity System Restoration event.</u>								
<u>SPD</u>	<u>Part D</u>	<u>Initiative 3 – Substation Telecommunications Resilience: Upgrade and/or install telecommunications batteries at SPD substations confirmed to be below the 72-hour coded requirement, enabling continuous communications, tel</u>	<u>31 March 2028</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1.997</u>	<u>0.374</u>	<u>2.371</u>	<u>N/A</u>

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		<u>metry and remote control throughout an Electricity System Restoration event.</u>								
<u>SPM</u>	<u>Part D</u>	<u>Initiative 3 – Substation Telecommunications Resilience: Upgrade and/or install telecommunications batteries at SPM substations confirmed to be below the 72-hour coded requirement, enabling continuous communications, tel</u> <u>metry and remote control throughout an Electricity System Restoration event.</u>	<u>31 March 2028</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2.468</u>	<u>1.893</u>	<u>4.361</u>	<u>N/A</u>
<u>SPD</u>	<u>Part D</u>	<u>Initiative 4 – Distribution Restoration Zone: Central Scotland - Deliver a fully operational Distribution</u>	<u>31 March 2028</u>	<u>0</u>	<u>0</u>	<u>0.983</u>	<u>6.014</u>	<u>7.979</u>	<u>14.975</u>	<u>N/A</u>

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		<u>Restoration Zone including switchgear upgrades, earthing arrangements, resilient communications, SCADA integration and DRZ controllers, enabling safe creation, control and expansion of distributed power islands in line with GC0156 and the ESRS.</u>								
<u>SPD</u>	<u>Part D</u>	<u>Initiative 5 – Distribution Restoration Zone: Dumfries and Galloway - Deliver a fully operational Distribution Restoration Zone including strategic 11kV switchgear replacement, resilient communications and DRZ controllers, enabling safe islanded</u>	<u>31 March 2028</u>	<u>0</u>	<u>0</u>	<u>0.327</u>	<u>1.752</u>	<u>1.861</u>	<u>3.940</u>	<u>N/A</u>

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		<u>operation and expansion in line with GC0156.</u>								
<u>SPD</u>	<u>Part D</u>	<u>Initiative 6 – Distribution Restoration Zone: Fife - Deliver a fully operational Distribution Restoration Zone including earthing transformers, upgraded 33kV switchgear, resilient communications and DRZ controllers, enabling secure bottom-up restoration and real-time voltage and frequency control.</u>	<u>31 March 2028</u>	<u>0</u>	<u>0</u>	<u>5.158</u>	<u>6.760</u>	<u>7.006</u>	<u>18.925</u>	<u>N/A</u>
<u>SPD</u>	<u>Part D</u>	<u>Initiative 7 - Staff Resources: Provide additional control engineers and ESR coordination and assurance roles to support</u>	<u>31 March 2028</u>	<u>0</u>	<u>0</u>	<u>1.638</u>	<u>2.756</u>	<u>2.988</u>	<u>7.382</u>	<u>N/A</u>

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		<u>delivery, operation and assurance of asset resilience upgrades and up to three Distribution Restoration Zones during Electricity System Restoration events.</u>								
<u>SPM</u>	<u>Part D</u>	<u>Initiative 7 - Staff Resources: Provide additional control engineers and ESR coordination and assurance roles to support delivery, operation and assurance of asset resilience upgrades and up to three Distribution Restoration Zones during Electricity System Restoration events.</u>	<u>31 March 2028</u>	<u>0</u>	<u>0</u>	<u>0.113</u>	<u>0.724</u>	<u>0.820</u>	<u>1.657</u>	<u>N/A</u>

Appendix 2. Privacy policy

Personal data

The following explains your rights and gives you the information you are entitled to under the General Data Protection Regulation (GDPR).

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

1. The identity of the controller and contact details of our Data Protection Officer

The Gas and Electricity Markets Authority is the controller, (for ease of reference, “Ofgem”). The Data Protection Officer can be contacted at dpo@ofgem.gov.uk

2. Why we are collecting your personal data

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

3. Our legal basis for processing your personal data

As a public authority, the GDPR makes provision for Ofgem to process personal data as necessary for the effective performance of a task carried out in the public interest. i.e. a consultation.

4. With whom we will be sharing your personal data

We will not share any personal data with external agencies.

5. For how long we will keep your personal data, or criteria used to determine the retention period.

Your personal data will be held for six months after the consultation is closed.

6. Your rights

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right to:

- know how we use your personal data
- access your personal data
- have personal data corrected if it is inaccurate or incomplete
- ask us to delete personal data when we no longer need it

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- ask us to restrict how we process your data
- get your data from us and re-use it across other services
- object to certain ways we use your data
- be safeguarded against risks where decisions based on your data are taken entirely automatically
- tell us if we can share your information with 3rd parties
- tell us your preferred frequency, content and format of our communications with you
 - to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at <https://ico.org.uk/> or telephone 0303 123 1113.

7. Your personal data will not be sent overseas.

8. Your personal data will not be used for any automated decision making.

9. Your personal data will be stored in a secure government IT system.

10. More information For more information on how Ofgem processes your data, view our [Ofgem privacy policy](#).