National Grid Electricity Transmission
Statutory Licence Consultation Comments

NB all references below link to the numbering in the statutory consultation and are not updated where that numbering is incorrect. Typographical errors are included in the tables below.

	Respondent details	**National Grid Electricity Transmission plc**			
No.	**Condition number /**	**Condition name**	**Page/Paragraph Ref**	**Comments**	**Suggested alternative drafting (please use tracked changes wherever possible)**
1.	General Comment			Need to ensure that licence conditions use capitalised/non-capitalised definitions consistently. As drafted, the conditions as modified would use a number of terms that are defined with a lower case in condition A1 incorrectly, because the terms, when used in specific conditions, are used in upper case. This will create the potential for confusion with the users of this licence who may perceive that there is a difference between the capitalised and uncapitalised versions of particular defined terms. Where possible, defined terms should also be used consistently between the standard and special conditions, albeit subject to Ofgem's policy of seeking to use capital letters for defined terms in Special Conditions. In this context, it needs to be remembered that there is currently no prospect of a general revision of the terms of the electricity transmission licences which could be used to clarify any confusion caused by the use of a mixture of uses of defined	Use defined terms consistently.

	Respondent details	National Grid Electricity Transmission plc			
No.	Condition number /	Condition name	Page/Paragraph Ref	Comments	Suggested alternative drafting (please use tracked changes wherever possible)
				terms in upper and lower case. Specific instances of this inconsistent approach are highlighted in the comments on individual conditions.	
2.	Condition A1	Definitions and Interpretation	Definition of "authorised"	Typo	Insert comma after "in appropriate cases"
3.	Condition B1	Regulatory Accounts	Throughout	The following terms should be used in lower case throughout the revised condition as they are defined in lower case in Condition A1 (Definitions and Interpretation) - Affiliate; - Statutory Accounts; - Regulatory Accounts; - Related Undertaking; - Financial Year; - Consolidated Transmission Business; - Subsidiary; - Ultimate Controller; - System Operator. This approach would be consistent with the use of the term "licensee" which is lower case throughout, including in the drafting of the Special Conditions.	Use lower case for these defied terms each time they appear to avoid confusion and to ensure consistency with Condition A1.
4.	B1	Regulatory accounts	6	Incorrect internal cross-reference.	Replace reference to paragraph 4 with reference to paragraph 5.
5.	B1	Regulatory accounts	14(c)	Incorrect internal cross-reference.	Replace reference to paragraph 17 with reference to paragraph 14(b).

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6.	B1	Regulatory accounts	16(a)	Incorrect capitalisation in title of condition B5	Should read "(Prohibition of cross-subsidies)"
7.	B1	Regulatory accounts	22(b)	Capitalise reference to "UK corporate governance code" and "Listing Rules and Interpretations" as these are the proper names of these documents: See, for example the code published by the Financial Reporting Council (see: http://frc.org.uk/Our-Work/Codes-Standards/Corporate-governance/UK-Corporate-Governance-Code.aspx)	In paragraph 23, "UK Corporate Governance Code" and "Listing Rules and Interpretations" should be capitalised.
8.	B1	Regulatory accounts	23	Delete 'for the Consolidated Transmission Business' as it is superfluous.	Should read "the licensee should prepare regulatory accounts for the financial year commencing on…"

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No.	**Condition number /**	**Condition name**	**Page/Paragraph Ref**	**Comments**	**Suggested alternative drafting (please use tracked changes wherever possible)**
9.	B1	Regulatory accounts	24	Definition of System Operator Activity. This refers to the definition of "balancing services activity" as defined in Standard Condition C1 (Interpretation of Part C). Because of the removal of the system operator internal incentive from Special Condition AA5A, this definition in no longer works and requires amendment to refer to the correct provisions of the RIIO ET1 licence regime.	The definition of "balancing services activity" in Standard Condition C1 (Interpretation of Section C) needs to be amended to read: "means the activity undertaken by the licensee as part of the transmission business including the co-ordination and direction of the flow of electricity onto and over the national electricity transmission system, the procuring and using of balancing services for the purpose of balancing the national electricity transmission system and for which the licensee is remunerated under Part 2 of special condition AA5A (Revenue restriction provision) **and Special Condition 4A (Restriction of System Operator internal revenue)** of the licensee's transmission licence." **[NEW TEXT IN BOLD]**

	Respondent details	National Grid Electricity Transmission plc			
No.	**Condition number /**	**Condition name**	**Page/Paragraph Ref**	**Comments**	**Suggested alternative drafting (please use tracked changes wherever possible)**
10.	B4	Provision of Information to the Authority	Throughout	The following terms should be used in lower case throughout the revised condition as they are defined in lower case in Condition A1 (Definitions and Interpretation) - Subsidiary; - Ultimate Controller; - Undertaking. This approach would be consistent with the use of the term "licensee" which is lower case throughout, including in the drafting of the Special Conditions.	Use lower case for these defied terms each time they appear to avoid confusion and to ensure consistency with Condition A1.
11.	B15	Regulatory Instructions and Guidance	2	The expression "Special Conditions" is not defined. We suggest that a definition of "Special Conditions" be inserted in Special Condition 1A (Definitions and Interpretation) and that Condition B15 refer to that definition. A definition of the expression "Special Conditions is needed for the proper operation of the special conditions, and therefore needs to be set out in Special Condition 1A.	Paragraph 2 should read as follows: …"needs to enable it to administer the Special Conditions of this license (as that term is defined in Special Condition 1A (Definitions and Interpretation))." A definition of Special Conditions needs to be inserted as follows in Special Condition 1A as follows: "means the Relevant SO Special Conditions and/or the Relevant TO Special Conditions as appropriate".

	Respondent details	**National Grid Electricity Transmission plc**			
No.	**Condition number /**	**Condition name**	**Page/Paragraph Ref**	**Comments**	**Suggested alternative drafting (please use tracked changes wherever possible)**
12.	B15	Regulatory Instructions and Guidance	2	We do not consider that the reference to Final Proposals (which in any event are undefined) is necessary as those proposals are expressed in obligations on the licensee set out in the Special Conditions.	Delete reference to Final Proposals
13.	B15	Regulatory Instructions and Guidance	Paragraphs 3(b), 4 (c) and 5(b).	This condition confuses the use of: - "Information" (which should be in lower case as it is defined in lower case in Standard Special Condition A3; and - The defined the term "Specified Information" in paragraph 3(a). These terms need to be used consistently.	Use "information in lower case except where part of the defined term "Specified Information". Insert "Specified" before "Information" in paragraphs 3(b) and 4(a).
14.	B15	Regulatory Instructions and Guidance	Paragraphs 5(f) and 5(g)	Typos	Insert space between "frequency" and "with"
15.	B15	Regulatory Instructions and Guidance	Paragraph 9	Should refer to "this" licence, not "the" licence.	Redraft paragraph 9 to read "provided for in **this** licence as it was…" **[NEW TEXT IN BOLD}**
16.	B15	Regulatory Instructions and Guidance	Paragraphs 14 and 17	The term "information" should be used in lower case throughout the revised condition as it is defined in lower case in Condition A1 (Definitions and Interpretation).	Use "information" in lower case in paragraphs 14 and 17.

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No.	**Condition number /**	**Condition name**	**Page/Paragraph Ref**	**Comments**	**Suggested alternative drafting (please use tracked changes wherever possible)**
17.	B23	Data Assurance requirements	Paragraph 3(a)	The DAG is not incorporated into the licence by licence modification, but rather its obligations are imposed on the licensee by the wording of paragraph 3(a) that "the licensee must … comply with the provisions of the Data Assurance Guidance (the DAG") … the scope and contents of which are set out in Part C of this condition, as if it were a condition of this licence." As such, the words "being a document that will be incorporated into this licence condition by way of licence modification" should be deleted s they are inaccurate and misleading.	Delete the following words from paragraph 3(a) "being a document that will be incorporated into this licence condition by way of licence modification".
18.	B23	Data Assurance requirements	Paragraph 12	"Potential errors" are only referred to once and therefore, grammatically, should not take the definite article (which implies that they have previously been referred to or defined).	Delete "the" before "potential errors" and replace with "any"
19.	B23	Data Assurance requirements	Part D	Part D needs to refer to issue or modification of the DAG consistently (in line with the approach in paragraph 15 (a)(ii).	Insert "issued or" before "modified" in paragraph 14 and "issue or" before "modify" in the first part of paragraph 15(a).
20.	B23	Data Assurance requirements	Part F	Delete ("derogation") as the term is not used – the paragraph refers to "the direction".	Delete ("derogation").

	Respondent details	National Grid Electricity Transmission plc			
No.	**Condition number /**	**Condition name**	**Page/Paragraph Ref**	**Comments**	**Suggested alternative drafting (please use tracked changes wherever possible)**
21.	C4	Charges for Use of System	Paragraph 2(a)	The term "Balancing Services Activity" should be used in lower case throughout the revised condition as it is defined in lower case in Condition C1 (Interpretation of Part C).	Use "balancing services activity" in lower case in paragraph 2(b). The definition of "balancing services activity" in Standard Condition C1 (Interpretation of Section C) needs to be amended to read: "means the activity undertaken by the licensee as part of the transmission business including the co-ordination and direction of the flow of electricity onto and over the national electricity transmission system, the procuring and using of balancing services for the purpose of balancing the national electricity transmission system and for which the licensee is remunerated under Part 2 of special condition AA5A (Revenue restriction provision) **and Special Condition 4A (Restriction of System Operator internal revenue)** of the licensee's transmission licence." **[NEW TEXT IN BOLD**

National Grid Electricity Transmission Special Conditions: General Comments		
Comment number	**Para Ref**	**Comment**
22.	General	We request that the licence drafting be checked again to ensure that each of the defined terms in Special Condition 1A are used consistently throughout the substantive conditions and that capitalisation is consistent. Our mark-up has attempted to pick up may of these issues, but we request that Ofgem conduct a double-check to ensure consistency. In particular: - the use of capitals needs to be made consistent in relation to the special conditions that are being re-numbered, but not otherwise amended; - care needs to be taken in relation to the use of capitals in Special Condition 1C - as this makes amendments to Standard Conditions (where lower case is used for defined terms), capital letters should not be applied to defined terms in that condition.
23.	General	There are a number of instances where the licence conditions refer to the Financial Handbook and these references are not clear. We request that each of he references to the Financial Handbook be checked for accuracy/consistency. In addition, we are suggesting a number of changes to the text of the Financial Handbook to improve the consistency of the Handbook with the licence. We request that these changes to the Financial Handbook be taken forward as part of this process.

National Grid Electricity Transmission Special Condition 1A: Definitions		
Comment number	**Para Ref**	**Comment**
24.	DNO Substation Bays; DNO Tower Dismantle; DNO Undergrounding	Suggest these definitions are deleted. They are mentioned in Table 5: Unit cost allowances for DNO mitigation but not used as defined terms.
25.	Incentivised Loss of Supply Event	The list of exclusions needs to include events with a duration less than 3 minutes to be consistent with Final Proposals [para 2.19 of outputs doc states no change to Initial Proposals; para 2.7 of Initial Proposals outputs doc refers].
26.	Mitigating Pre-exiting Infrastructure (EPI)	Suggest that acronym be changed as it no longer matches the description.
27.	Relevant Adjustment	Suggest this definition be deleted. It is used in lower case in Special Condition 6E and the same expression is used in other conditions (e.g. 6H) and therefore it could potentially be confusing.

National Grid Electricity Transmission Special Condition 1A: Definitions		
Comment number	**Para Ref**	**Comment**
28.	Relevant Generation Capacity	Words needed to clarify the meaning of new generation entry capacities – suggest "(calculated as the sum of all generation capacity in Relevant Year t minus the sum of all generation capacity in Relevant Year t-1))". Zones 2 and 22 need to be defined. The map included in our business plan submission could be included in the Sp C 6F. Change needed to clarify the meaning of embedded generation – suggest "the generation entry capacity shall be the sum of the maximum capacities of all half-hourly metered embedded power stations".
29.	Replacement Priority	A definition of Replacement Priority is required – suggest "Means the category assigned to an asset to prioritise the requirement for intervention (replacement, refurbishment or reconditioning) based on a measure of its asset health and criticality in terms of consequences of failure."
30.	SF6 Gas Emissions Incentive Scheme	Definition should be deleted as not required.
31.	Special Conditions	This definition is required to support use of this term in conditions - suggest it is added as "means the Relevant SO Special Conditions and/or the Relevant TO Special Conditions as appropriate."
32.	Strategic Wider Works Outputs	This is a definition of Strategic Wider Works rather than Strategic Wider Works Outputs?
33.	System Operator	This does not identify NGET's SO activities – it only identifies NGET (as opposed to SHET and SPTL). As such, it can't be used to define SO activities – see specific comments on standard condition A1.
34.	Transmission Business Activities	System Operator Activity - Not defined in this condition. Definition must refer to "the balancing services activity" as defined in Standard Condition C1 (which itself needs amendment – see NGET comments of the Electricity Licence which deal with this point).
35.	Transmission Owner (TO)	See mark up of Standard Condition A1

National Grid Electricity Transmission Special Condition 1C: Amended standard conditions		
Comment number	**Para Ref**	**Comment**
36.	General	Need to have amendment to definition of "balancing services activity" in Standard Condition C1 to take account of changes to conditions under which internal SO costs are changed – reference NGET comments on Standard Conditions

National Grid Electricity Transmission Special Condition 2F: Role in respect of the National Electricity Transmission System Operator area located in offshore waters		
Comment number	**Para Ref**	**Comment**
37.	25(a)	Need to use existing defined terms – see Sp C 1A – SoS designation missed the word "area"; "Offshore" is not defined

National Grid Electricity Transmission Special Condition 2J: Network Access Policy		
Comment number	**Para Ref**	**Comment**
38.	2J.2	Delete "Standard Condition D2 (Obligation to provide transmission services)" as it does not apply to NGET; Change "Standard Condition D3 (Transmission system security standard and quality of service" to "Standard Condition C17 ()" as this is the correct reference for NGET
39.	2J.3	Rather than a provision requiring NGET to have something approved by the Authority by 30 April, 2013 and no timescale for the Authority's approval, we need a provision to submit our Network Access Policy by a certain date.
40.	2J.7 (a)	Changes needed so that the condition makes sense in the context of NGET because NGET is not a TO. We propose the following wording: "details of the actions that the licensee's Transmission Owner Activity will take to coordinate with the licensee's balancing services activity and/or other Transmission Owners as appropriate to ensure that planned network outage arrangements are agreed with due consideration of the long term outcomes for consumers and network users;"
41.	2J.7 (d)	Changes needed so that the condition makes sense in the context of NGET. We propose the following wording: "a description of the licensee's communication and coordination strategy for interacting with the licensee's balancing services activity and Transmission Owners as appropriate in respect of matters relating to the NAP."
42.	2J.9	Changes needed so that the condition makes sense in the context of NGET. We propose the following wording: "Where the licensee proposes to amend the NAP, it must provide a full statement to the Authority of the proposed amendments and provide a copy of that statement to the licensee's balancing services activity and other Transmission Licensees."
43.	2J.11	Change needed to reflect views of licensee's balancing services activity to any particular amendment being covered by 2J.13 as an interested person. We propose the following wording: "The Authority's consideration of the proposed amendment will include consideration of any other submission."

National Grid Electricity Transmission Special Condition 2L: Methodology for Network Output Measures		
Comment number	**Para Ref**	**Comment**
44.	2L.3 (e)	Given the introduction of a specific incentive for customer satisfaction, this provision should just refer to that incentive, which is set out in Special Condition 3D.
45.	2L.4	This condition should be the same as B17, Part B of the current version of the Licence.
46.	2L.4	There are a number of terms which are incorrectly capitalised in this condition as they are not defined terms. They are: “network assets condition measure”; “network risk measure”; “network performance measure” and “network capability measure”. “transmission business” is a defined term, but is lower case in Special Condition 1A and therefore also incorrectly capitalised in this condition.
47.	2L.4	The term Network Replacement Outputs is used in Special Condition 2M but is not described here. We propose the following wording be added to 2L.4 in order to provide a link to Sp C 2M: “(e) the Network Replacement Outputs, which are used to measure the licensee’s asset management performance as required in Special Condition 2M (Specification of Network Replacement Outputs).”
48.	2L.10	The ability to make housekeeping changes when there is direct agreement with Ofgem has been lost. This is a useful facility which should be retained.
49.	2L.10 (a)	A change is needed as a matter of law – this is a Special Condition and as such is only applicable to NGET. We propose the following wording: “consulting with other Transmission Licensees to which a condition of equivalent effect to this condition applies and with any other interested parties, allowing them a period of at least 28 days within which to make written representations with respect to the licensee’s modification proposal; and”

National Grid Electricity Transmission Special Condition 2M: Specification of Network Replacement Outputs		
Comment number	**Para Ref**	**Comment**
50.	2M.2	Additional clause required to clarify that the Network Replacement Outputs will be the sum of RP1, RP2 and RP3 (50% expected values) units (for transformers, reactors and circuit breakers) and km (for overhead line fittings, overhead line conductor and cables).
51.	2M.2	Additional clause required to clarify that this is a non-load related output i.e. asset replacements delivered as part of load-related schemes will not be included in the calculation used to define the non-load related NOMs
52.	Table 1	In order to be consistent with Final Proposals [para 5.54 of the Cost assessment and uncertainty Supporting Document refers], a table of mid-period Network Replacement Outputs is required.
53.	Table 1	RP4 should not be included in Table 1 because these are subject to change as the population changes, and such changes should not need to be justified.
54.	Table 1	All figures in Table 1 should be quoted to zero decimal places.
55.	2M.3	There are a number of terms which are incorrectly capitalised in this condition as they are not defined terms. They are: “materially equivalent outputs”; “justified material over delivery” and “justified material underdelivery”.
56.	2M.3 (a)	Suggest “an output or outputs which delivers” is deleted as it is not required.
57.	2M.3 (b)	This paragraph suggests that unjustified over-delivery is a failure to deliver the outputs which is incorrect.
58.	2M.3 (b)	We do not understand the term “higher specification of risk mitigation”
59.	2M.3 (c)	We do not understand the term “lower specification of risk mitigation”
60.	2M.4 & 2M.9	“Second Price Control Period” must be defined – suggest the use of the definition in the RIIO-GT1 drafting
61.	2M.6	There are a number of terms which are incorrectly capitalised in this condition as they are not defined terms. They are: “materially equivalent outputs”; “justified material over delivery” and “justified material underdelivery”.
62.	Table 2	“(net of the efficiency incentive rate)” should be deleted as it is incorrect. The full amount needs to be included so that the operation of the efficiency incentive rate on under or overspend in RIIO-T2 is the same as the operation of the efficiency incentive rate on the corresponding over or underspend in RIIO-T1.
63.	Part C: Allowed expenditure for Network Replacement Outputs	Should read “Part D”

National Grid Electricity Transmission Special Condition 3A: Restriction of Transmission Network Revenue		
Comment number	**Para Ref**	**Comment**
64.	3A.9	Definition of REV_{t-2} – "Special Condition" is not defined. See suggested drafting in Sp C 1A.
65.	3A.10	Definition of RI_{t-2} – need to add "Special Condition 3C (Reliability Incentive Adjustment in Respect of Energy Not Supplied)."
66.	3A.10	Definition of SFI_{t-2} – need to add "Special Condition 3E (Incentive in Respect of Sulphur Hexaflouride (SF_6) Gas Emissions).
67.	3A.14	Definition of TO_{t-2} – should read "means the Maximum Revenue as derived in accordance with Part B of this condition in respect of Relevant Year t-2."

National Grid Electricity Transmission Special Condition 3B: Calculation of allowed pass-through items		
Comment number	**Para Ref**	**Comment**
68.	3B.8	Changes required to avoid disallowance coming into effect before the change to rates. Suggest the following wording: "In respect of any Relevant Year t-2 in which the revaluation by the Valuation Office Agency (in England and Wales) or the Scottish Assessors Association (in Scotland) of the assets of the licensee's Transmission Network for the purposes of setting Non-Domestic Rates comes into effect, RB_t will have the value of zero in that year and in each subsequent Relevant Year t-2, unless the Authority has satisfied itself that the licensee has used reasonable endeavours to minimise the amount of the prescribed Non-Domestic Rates. If the Authority has so satisfied itself, it will direct that the formula set out in this Part B is to apply for the purposes of calculating the RB_t term in the specific Relevant Year and in each of the subsequent Relevant Years."
69.	3B.13	Definition of TPA_{t-2} - Need to change "System Operator" to "licensee as part of its balancing services activity"
70.	3B.13	Definition of TPA_{t-2} - Need to delete "in accordance with the provisions of the STC as defined in standard condition A1" – whilst the Scottish Transmission Licensees make the payment in accordance with the STC, NGET makes payment in accordance with the CUSC.

National Grid Electricity Transmission Special Condition 3C: Reliability Incentive Adjustment in Respect of Energy Not Supplied		
Comment number	**Para Ref**	**Comment**
71.	3C.3	Definition of $RILEG_t$ – need to add "Special Condition D5 (Incentive Payments)"
72.	3C.4	In the formula, BR_{t-2} and $TIRG_{t-2}$ are both divided by $RPIA_{t-2}$ – this is incorrect because only IPTIRG, FTIRG and ETIRG include RPIF and therefore whilst they should be divided by RPIA, TIRGIncAd and ATIRG should not.
73.	3C.5	Change required since, as a matter of law, this condition is only applicable to NGET. We propose the following wording: "The licensee must have in place and maintain a reliability incentive methodology statement approved by the Authority that sets out the methodology the licensee will use to calculate the volume of energy not supplied arising from each Incentivised Loss of Supply Event, having regard to the approaches taken by the other Transmission Licensees subject to a condition of equivalent effect to this condition, and to the approved statement prescribed by Standard Condition C17 (Transmission system security and quality of service) setting out criteria by which system availability, security and service quality of the National Electricity Transmission System may be measured."

National Grid Electricity Transmission Special Condition 3D: Stakeholder Satisfaction Output		
Comment number	**Para Ref**	**Comment**
74.	3D.6	Need to explain how $TIRG_{t-2}$ is derived – we suggest the inclusion of the following paragraph: "The value of the TIRGt-2 term for each Relevant Year is derived in accordance with the provisions of Special Condition 3J (Transmission Investment for Renewable Generation)."
75.	3D.9	Should read "The Stakeholder Engagement Reward Guidance (the "Guidance") may be…."
76.	3D.10(a)	"notice" should be lower case because it is not a defined term.
77.	3D.11	Need to explain the meaning of $TIRG_{t-2}$
78.	3D.11	Definition of $CSSAF_{t-2}$ should read: "is the revenue adjustment factor based on the licensee's performance against the customer satisfaction survey as described in Part E in the Relevant Year t-2, and is derived from the following formula:"
79.	3D.11	Definition of min(A, B) and max(A, B) should be lower case for consistency with formula

National Grid Electricity Transmission
Special Condition 3D: Stakeholder Satisfaction Output

Comment number	Para Ref	Comment
80.	3D.11	Definition of $SSSAF_{t-2}$ should read: "is the revenue adjustment factor based on the licensee's performance against the stakeholder satisfaction survey as described in Part E in the Relevant Year t-2, and is derived from the following formula:"
81.	3D.12	Need timescale for the Authority's approval.
82.	Part E	Should read: "Part E: Customer and Stakeholder Satisfaction Surveys"
83.	3D.13	Should read: "Unless otherwise agreed with the Authority, the licensee must carry out a survey at least once a year to assess customer satisfaction and stakeholder satisfaction with its activities (the Customer and Stakeholder Satisfaction Surveys)."
84.	3D.14	Delete "stakeholder"
85.	3D.17	Reference to paragraph 24.17 is out of date and should be updated or deleted.
86.	Parts F and G	Parts F and G should be deleted as they do not apply to NGET.

National Grid Electricity Transmission
Special Condition 3E: Incentive in Respect of Sulphur Hexaflouride (SF_6) Gas Emissions

Comment number	Para Ref	Comment
87.	3E.3	Suggest that we specify that SFI_t is zero in 2013/14 and 2014/15 for clarity and consistency with other conditions.
88.	3E.4	The formula has incorrectly been numbered as a paragraph. Paragraph number needs to be deleted and all subsequent paragraphs need to be renumbered accordingly. All paragraph references then need to be checked.
89.	3E.3	Definition of ALE_{t-2} – should read"….the methodology statement prepared by the licensee as described in Part B of this condition."
90.	3E.5 (a)	Definition of ADD_{t-2} – should read "means the expected SF_6 emissions in kilograms from new assets containing SF_6 comprising part of the licensee's Transmission System in Relevant Year t-2 and is to be calculated in accordance with the methodology statement in respect of SF_6 gas leakage described in Part B and reported by the licensee in accordance with Standard Condition B15 (Regulatory Instructions and Guidance)."
91.	3E.5 (a)	Definition of DSP_{t-2} – should read "means the expected reduction in SF_6 emissions in kilograms from assets containing SF_6 decommissioned from service on the licensee's Transmission System in Relevant Year t-2 and is to be calculated in accordance with the methodology statement in respect of SF_6 gas leakage described in Part B and reported by the licensee in accordance with Standard Condition B15 (Regulatory Instructions and Guidance)."

National Grid Electricity Transmission Special Condition 3E: Incentive in Respect of Sulphur Hexaflouride (SF_6) Gas Emissions		
Comment number	**Para Ref**	**Comment**
92.	3E.5 (b)	Definition of $FYCTE_{t-3}$ – should read “means the baseline target emissions for Relevant Year t-3 that is adjusted so that an amount of ADD or DSP reported by the licensee which is calculated for only part of that year is substituted with the expected amount of leakage as if those assets comprise part of the licensee’s Transmission System for a full year. This is to be calculated in accordance with the methodology statement in respect of SF_6 gas leakage described in Part B.”
93.	3E.6	Change needed to ensure the formula is robust for changes to the tax rate. Suggest we delete 0.22 and replace with TR_{t-2} in the formula and add a definition of TR_{t-2} as “means the corporation tax rate that is applicable to Relevant Year t-2.”
94.	3E.7	It is not clear why this paragraph is needed, but if so, suggest it should be moved above 3E.6
95.	3E.14	Should read “Where the Authority is satisfied that the event that causes leakage of SF_6 is an SF_6 Exceptional Event, the Authority may, by notice to the licensee, direct that the value of ALE in Relevant Year t-2 is to be adjusted as specified in that direction.”
96.	3E.18	Suggest that ‘Exceptional Event’ is changed to ‘SF_6 Exceptional Event’ to avoid confusion since Exceptional Event is defined in Special Condition 1A for the purposes of Special Condition 3C.

National Grid Electricity Transmission Special Condition 3F: Adjustment in Respect of the Environmental Discretionary Reward Scheme		
Comment number	**Para Ref**	**Comment**
97.	3F.1 (b)	How do the arrangements specified here differ from those mentioned in (a) above.
98.	3F.2	Should read "….in relation to the EDR Scheme in each Relevant Year."
99.	3F.6	Changes needed to provide consistency with other conditions. Suggest 3F.6 and 3F.7 are deleted and replaced with: 3F.6 For Relevant Years beginning on 1 April 2013 and 1 April 2014 the value of EDR_t will equal zero. 3F.7 For each subsequent Relevant Year t, the value of EDR_t is derived in accordance with the following formula: $EDR_t = EDRO_{t-2} \times \left(1 + \frac{I_{t-2}}{100}\right) \times \left(1 + \frac{I_{t-1}}{100}\right)$ where: $EDRO_{t-2}$ means a positive adjustment (if any) that may be determined by the Authority pursuant to the provisions set out in the EDR Scheme Guidance for the licensee for Relevant Year t-2; and I_t means the Average Specified Rate in Relevant Year t.
100.	3F.11	Delete "may" and replace with "shall" and add "may be" before "modified"

National Grid Electricity Transmission Special Condition 3H: the Network Innovation Allowance		
Comment number	**Para Ref**	**Comment**
101.	3H.7	It is not clear how this formula links with the formula in the preceding paragraph, 3H.6. A reference would make this clearer.
102.	3H.10 (e)	The text should be changed to be consistent with that contained in the equivalent Gas Transmission Condition.
103.	3H.12	"gas transporter" should read "transmission"
104.	3H.14	"commencement" should read "coming into force"

National Grid Electricity Transmission Special Condition 3I: The Network Innovation Competition		
Comment number	**Para Ref**	**Comment**
105.	3I.22	Paragraph numbering needs correcting to avoid a circular reference. "3I.21 and 3I.22" should read "3I.20 and 3I.21".
106.	3I.23	"3I.21" should read "3I.20"

National Grid Electricity Transmission Special Condition 3J: Transmission Investment for Renewable Generation		
Comment number	**Para Ref**	**Comment**
107.	3J	Due to the fact that NGET has completed spend on TIRG projects in the current price control period, many of the terms in this Licence condition are zero. This means that the whole condition should be significantly shortened to reflect only those terms which remain relevant. Please see separate note (Special Condition 3J – NGET Proposal) for revised drafting.

National Grid Electricity Transmission Special Condition 3L: Pre-construction Engineering Outputs for prospective Strategic Wider Works Outputs		
Comment number	**Para Ref**	**Comment**
108.	3L.2	Proposed change makes it clearer that, although the PE Outputs may or may not be undertaken, PE Outputs are the deliverables from works that have been undertaken.
109.	3L.3	Paragraph deleted because this definition is already given in Special Condition 1A.

National Grid Electricity Transmission Special Condition 4A: Restriction Of System Operator Internal Revenue		
Comment number	**Para Ref**	**Comment**
110.	4A.1	It is not possible to use "System Operator" in this context. System Operator as defined only identifies NGET and not its activities in relation to operating the system. This condition must therefore refer to the "balancing services activity" or this element of the price control framework will not work. 4A.2 shows the correct approach, and 4A.1 should therefore be made consistent.
111.	4A.2	The additional words proposed are required to distinguish the split between internal and external costs and ties in with wording of Sp C AA5A
112.	4A.6	Need to delete "SO Special Condition" and add "under the Relevant SO Special Conditions" before "that are indexed by the Retail Price Index…."

National Grid Electricity Transmission Special Condition AA5A: Balancing Services Activity Revenue Restriction		
Comment number	**Para Ref**	**Comment**
113.	Multiple	Multiple occurrences of the term 'Relevant Year' have been amended to capitalise the first letter to be consistent with the rest of the licence.
114.	5	The definition of $BSCC_p$ currently refers to 'relevant year p' but this should read 'period p' for consistency within the defined term.
115.	11(e)	Add back in the word 'the' prior to 'period 1 April 2011 to 31 March 2013' which has been deleted.

National Grid Electricity Transmission Special Condition 5B: Annual Iteration Process for the ET1 Price Control Financial Model		
Comment number	**Para Ref**	**Comment**
116.	5B.6	It would be clearer if the clauses were put in numerical/Licence order.

National Grid Electricity Transmission
Special Condition 6A: Legacy price control adjustments – Transmission Owner

Comment number	Para Ref	Comment
117.	6A.9 & 6A.10	Definitions of CAR and CRAV – Sp C D9 of our current licence specifies capex rolling incentive amounts for 1 April 2013 and 1 April 2014 – please confirm that these will be covered by a future update to the PCFM Variable Values relating to legacy price control adjustments for Relevant Year 2013/14.
118.	6A.16	Need to add ", starting from 30 November 2013" to avoid confusion - otherwise paragraph suggests first direction is 30 November in year before 2013/14 which is 30 November 2012.
119.	6A.20	Need to add "or objections" before "duly received" for consistency with Gas Transmission Licence.

National Grid Electricity Transmission
Special Condition 6B: Supplementary provisions in relation to transmission asset owner incentive schemes activity in the legacy period

Comment number	Para Ref	Comment
120.	6B.1 (a) and (b)	"Transmission Investment Incentives Projects" is not a defined term. Should the paragraph refer to the list of projects in the Appendix to this condition instead? Suggest we add the words "set out in the Appendices to this condition" for clarity.
121.	6B.11	The dates do not fit with the timing set out in Special Condition 6A (i.e. 30 November 2013).
122.	6B.15 (d)	The text needs clarifying by the addition of "in the case of an increase in costs,"
123.	6B.26	It seems that (ii) is missing? This would cover the adjustment to allowances – this must be clarified.

National Grid Electricity Transmission
Special Condition 6C: Determination of PCFM Variable Values for Totex Incentive Mechanism Adjustments – Transmission Owner

Comment number	Para Ref	Comment
124.	6C.6	Delete "PCFM" and replace with "Price Control Financial Model"

National Grid Electricity Transmission Special Condition 6D: Specified financial adjustments – Transmission Owner		
Comment number	**Para Ref**	**Comment**
125.	6D.2	Delete "means" and replace with "ensures"
126.	6D.27	Should "2013/14" be "2019/20"?
127.	6D.29	Parts A and B should read "Parts A to C"

National Grid Electricity Transmission Special Condition 6E: The Innovation Roll-out Mechanism		
Comment number	**Para Ref**	**Comment**
128.	6E.22	Delete "as set out in Special Condition 5A (Governance of ET1 Price Control Financial Instruments)" because Time Value of Money in a defined term in Special Condition 1A.

National Grid Electricity Transmission Special Condition 6F: Baseline Generation Connections Outputs and Generation Connections volume driver		
Comment number	**Para Ref**	**Comment**
129.	6F.7	Should read "….in accordance with the RIGs issued in accordance with Standard Condition B15"
130.	6F.8	For clarity and consistency with other conditions, suggest we add: "(a) In Relevant Years 2013/14 and 2014/15, $GCE_{t,n}$ is zero."
131.	6F.8	Suggest the term $FGCE_{t,n}$ is deleted from the formula to be applied to Relevant Year 2015/16 because it is set to zero in paragraph 6F.10 (a).
132.	6F.8	Definition of TPG_n – add "(in 2009/10 prices)" for clarity.
133.	6F.8	Delete "TP_n" and replace with "TPG_n"
134.	6F.9	It would aid clarity of the year convention was explained, i.e. 2014 refers to the year 2013/14, etc.

National Grid Electricity Transmission Special Condition 6F: Baseline Generation Connections Outputs and Generation Connections volume driver		
Comment number	**Para Ref**	**Comment**
135.	6F.9	Formula should be: For n = 2014 to 2021: $VGCE_{t,n} = \left[\{(AGCO_{t-2} - BGCO_{t-2}) \times £0.027million\} + \{(ALOHL_{t-2} - BLOHL_{t-2}) \times £1.1million\} + \left\{\sum_{m=1\ to\ 9} (ASLCBL_{m,t-2} \times COUCA_m)\right\}\right] \times RPE_n \times WFG_{t-2,n}$
136.	6F.9	Definitions of $BGCO_{t-2}$ & $BLOHL_{t-2}$ – Table 1 refers to Relevant Year n rather than Relevant Year t
137.	6F.9	Definition of $ASLCBL_{t-2}$ – rather than specifying the "sum of section lengths" in this definition, it would be clearer to give sections of cable a suffix (e.g. x) such that the formula can sum for all x.
138.	6F.9	Definition of $COUCA_m$ – Delete "specific matrix" as not required
139.	Table 2	Delete "(adjusted for full costs of underground cabling)" in the title as not required.
140.	Table 2	Suffix x for cable section is included in the table header but is not currently used. As mentioned in comment 137 above, suggest this suffix be used to improve clarity.
141.	Table 2	Change needed for consistency with IET report – delete "in circuit km" and replace with "in route km"

National Grid Electricity Transmission Special Condition 6F: Baseline Generation Connections Outputs and Generation Connections volume driver		
Comment number	**Para Ref**	**Comment**
142.	Tab le 2	The table is incomplete with some cable types missing. The full table is:

m	Underground cable type	Section length in route km	$COUCA_m$, £m/circuit kilometre (2009/10 prices)
1	1 core per phase <=2500mm^2	x <3	6.3
2		3 ≤ x < 15	5.2
3		x ≥ 15	5
4	1 core per phase >2500mm^2	x <3	6.4
5		3 ≤ x < 15	5.5
6		x ≥ 15	5.3
7	2 cores per phase <=2500mm^2	x <3	11
8		3 ≤ x < 15	8.9
9		x ≥ 15	8.7
10	2 cores per phase >2500mm^2	x <3	11.1
11		3 ≤ x < 15	9.5
12		x ≥ 15	9.3
13	3 cores per phase <=2500mm^2	x <3	15.7
14		3 ≤ x < 15	12.6
15		x ≥ 15	12.4

National Grid Electricity Transmission **Special Condition 6F: Baseline Generation Connections Outputs and Generation Connections volume driver**		
Comment number	**Para Ref**	**Comment**
143.	Table 4	Suggest delete "(reading across rows)" from the title as not required.
144.	6F.10 (a)	See comment 131 above – Change "2015/16" to "2016/17"
145.	6F.10 (b)	Formula should be: For d =2022 to 2023: $FGCE_{t,d,n} = \left[(FGCO_d \times £0.027million) + (FOHL_d \times £1.1million) + \sum_{m=1\ to\ 9} (FCBL_{m,d} \times COUCA_m) \right] \times RPE_n \times WFG_{d,n}$
146.	6F.10 (c)	Definition of suffix m required as in Special Condition 6K.
147.	6F.10 (c)	Definition of $FCBL_{m,\ d}$ – Delete RGF_d and replace with "$FGCO_d$"
148.	6F.12	Change needed to insert outputs into Table 6 without a Licence mod – suggest add the words "deemed to be" before "set out in the format of Table 6".
149.	Table 6	Error numbering "Relevant Year, t" columns; Columns currently headed 2020/21 and 2021/22 can be deleted as not required.
150.	6F.13 (a)	Delete "DGCE" and replace with "VGCE" and add "FGCE"
151.	6F.15	Delete "as set out in Special Condition 5A (Governance of ET1 Price Control Financial Instruments)" because Time Value of Money in a defined term in Special Condition 1A.

National Grid Electricity Transmission **Special Condition 6G: Mitigating the impact of Pre-existing Transmission Infrastructure on the visual amenity of Designated Areas**		
Comment number	**Para Ref**	**Comment**
152.	6G.1 (c)	The acronym "EPI" no longer represents the name Pre-existing Infrastructure.
153.	6G.5	Add the words "of this condition" after "….provisions of Part C"
154.	6G.6 (d)	Delete "overall contribution to sustainable development" and replace with "other environmental impacts" because it may be difficult to argue that replacing an adequate overhead line circuit contributes towards sustainable development.
155.	6G.11	Change needed to insert outputs into Table 1 without a Licence mod – suggest we add the words "deemed to be" after "All EPI Outputs will be".
156.	6G.13	Need to add the words "on further willingness to pay research or" after "….costs of any additional preliminary work" for clarity.

National Grid Electricity Transmission Special Condition 6G: Mitigating the impact of Pre-existing Transmission Infrastructure on the visual amenity of Designated Areas		
Comment number	**Para Ref**	**Comment**
157.	6G.19	Need to change "notice" to a lower case because it is not a defined term.
158.	6G.20	As with comment 155 above, change needed – suggest we add the words "deemed to be" after "….under Part C of this condition will be"."
159.	6G.23	Delete "as set out in Special Condition 5A (Governance of ET1 Price Control Financial Instruments)" because Time Value of Money in a defined term in Special Condition 1A.

National Grid Electricity Transmission Special Condition 6H: Arrangements for the recovery of uncertain costs		
Comment number	**Para Ref**	**Comment**
160.	6H.26	This should be referenced to the ET1 Financial Model.

National Grid Electricity Transmission Special Condition 6I: Specification of Baseline Wider Works Outputs and Strategic Wider Works Outputs and Assessment of Allowed Expenditure		
Comment number	**Para Ref**	**Comment**
161.	6I.3 (c)	"changes in system background" is not a defined term. Need to add "as set out in Part D" for clarity.
162.	6I.9 & 6I.10	As with comment 155 above, change needed – suggest we add the words "deemed to be" before "specified in Table".
163.	6I.13 (b)	Need to change "the Totex Incentive Mechanism" to "the application of the Totex Incentive Strength Rate" for clarity.
164.	6I.16	Need to change Table 1 to "Tables 1 and 3" because Table 3 is SWW only, and it could relate to Baseline Wider Works.
165.	6I.19 (a)	This paragraph should refer to the cost allocation specified in Table 2.
166.	6I.26	Need to delete "within the boundary (or within adjacent boundaries or zones) that the Baseline Wider Works Output or Strategic Wider Works Output is to be delivered" because this is incorrect and, in any case, is not required.
167.	6I.37 (a)	For NGET, do we need to explain that this "materiality criteria" will be set out in the Network Development Policy?

National Grid Electricity Transmission Special Condition 6J: Allowed Expenditure for Incremental Wider Works		
Comment number	**Para Ref**	**Comment**
168.	6J.5	Need to delete "shown as bolded increments in Table 1 of this condition" because it will not be possible to show any new SWW Outputs that are delivered on the same boundary and in the same year as an IWW Output and, in any case, this is not required.
169.	6J.5	Need to add the word "changes" between "IWW Outputs" and "that the licensee may determine are additionally required…." because without it, it appears that changes are upwards only.
170.	6J.5	Should "meet the objectives" be replaced with "comply with"?
171.	Table 1	See comment 168 above – do not bold Baseline Wider Works Outputs and SWW Outputs
172.	Table 1	Do we need to zero blank cells?
173.	Table 1	Do we need to add a column with j boundaries listed from 1 to 15?
174.	6J.9	"Policy" should be capitalised because it is defined in 6J.7.
175.	6J.14	Do we need to explain the notation for years i.e. 2014 refers to 2013/14 for clarity?
176.	6J.14 (a)	Suggest we delete "$FIWW_{t,n}$" because it is set to zero in 6J.16 (a).
177.	6J.14	Definition of $TPWW_{t,n}$ – suggest we add "(in 2009/10 prices)" for clarity.
178.	6J.15	Formula should read as follows: For n = 2014 to 2021: $$VIWW_{t,n} = \left[\sum_{j=1\ to\ 15}\left(\left\{\sum_{all\ i}\left(BTITC_{i,j,t-2}\right) - BITC_{j,t-2}\right\} \times BTUCA_j\right) + \sum_{j=1\ to\ 15}\left(ATITC_{i,j,t-2} \times ATUCA_{i,j}\right)\right] \times RPE_n \times WFWW_{t-2,n}$$
179.	6J.15	Need to add definitions for suffix i and suffix j.
180.	6J.15	Definitions of $BTITC_{i,j,t-2}$ and $ATITC_{i,j,t-2}$ – Need to change these definitions such that it is clear that projects which take the sum of IWW Outputs Delivered on a particular boundary from below the threshold to above the threshold are correctly treated. The incremental transfer capability delivered by these projects should be divided into below threshold capability (which is then multiplied by BTUCA) and above threshold capability (which is then multiplied by ATUCA). This is complicated further on boundaries with multiple above threshold UCAs – suggest that the project with the unit cost closest to BTUCA is treated as below threshold capability and so on.
181.	Table 2	The formula refers to boundaries j = 1 to 15. For clarity, suggest we add a column and assign each of the boundaries B6 to SC1 a boundary j number between 1 and 15.

National Grid Electricity Transmission Special Condition 6J: Allowed Expenditure for Incremental Wider Works		
Comment number	**Para Ref**	**Comment**
182.	Table 2	Table needs to be restructured for clarity – see mark up.
183.	Table 3	Suggest we delete "(reading across rows)" as not required.
184.	6J.16 (a)	Need to change 2015/16 to "2016/17" – see comment 176 above.
185.	6J.16 (b)	Formula should read: In Relevant Year t= 2018/19, for d = 2022 to 2023: $FIWW_{t,d,n} = \sum_{j=1\ to\ 15}\left[\left(\sum_{all\ i}\{FBTITC_{i,j,d}\} \times BTUCA_j\right) + \left(\sum_{all\ i}\{FATITC_{i,j,d} \times ATUCA_{i,j}\}\right)\right] \times RPE_n \times WFWW_{d,n}$
186.	6J.16	Need to add definition for suffix d.
187.	6J.16	Definition of $FATITC_{i,\,j,\,d}$ – See comment 180 above which also applies here.
188.	6J.18	See comment 148 above. Suggest we add "deemed to be" before "set out in the format of Table 4".
189.	Table 4	Delete "(reading down columns)" as this is not required.
190.	6J.21	Delete "as set out in Special Condition 5A (Governance of ET1 Price Control Financial Instruments)" because Time Value of Money in a defined term in Special Condition 1A.

National Grid Electricity Transmission Special Condition 6K: Allowed Expenditure for meeting planning requirements and volume driver		
Comment number	**Para Ref**	**Comment**
191.	General	This condition refers to "UCE" values throughout, but the Financial Model uses "DUV" – these should be consistent for clarity.
192.	6K.5	Should read "Table 1a"
193.	6K.5	The phrase "which is not subject to the provisions set out in Part C of this condition" is not clear – suggest this needs to be re-worded.
194.	6K.9	Do we need to explain the notation for years i.e. 2014 refers to 2013/14 for clarity?

National Grid Electricity Transmission Special Condition 6K: Allowed Expenditure for meeting planning requirements and volume driver		
Comment number	**Para Ref**	**Comment**
195.	6K.9	Formula should read: For each year d = 2017 to 2024: $UCE_{t,n} = \left[\sum_{m=1\ to\ 9} (FUGC_{m,d} + RUGC_{m,d}) \times CUCA_m \right] \times WUG_{n,d} \times RPE_n + DMA_d$
196.	6K.9	Definitions of $FUGC_{m,\ d}$ and $RUGC_{m,\ d}$ – Suggest the introduction of a suffix (e.g. x as in 6K.10 and Table 2) for each section of underground cable, we can then sum for all x in the formula to improve clarity.
197.	6K.9	Definition of $CUCA_m$ – Delete “specific matrix” as it is not required.
198.	Table 2	Need to change “circuit” to “route” in the header in order to be consistent with the IET report.

National Grid Electricity Transmission
Special Condition 6K: Allowed Expenditure for meeting planning requirements and volume driver

Comment number	Para Ref	Comment
199.	Table 2	The table is not complete. The correct table is included below. Note: This is not a theoretical problem – some of our schemes involve 3 cores per phase cable.

m	Underground cable type	Section length in route km	$CUCA_m$, £m/circuit kilometre (2009/10 prices)
1	1 core per phase <=2500mm^2	x <3	5.2
2		3 ≤ x < 15	4.1
3		x ≥ 15	3.9
4	1 core per phase >2500mm^2	x <3	5.3
5		3 ≤ x < 15	4.4
6		x ≥ 15	4.2
7	2 cores per phase <=2500mm^2	x <3	9.9
8		3 ≤ x < 15	7.8
9		x ≥ 15	7.6
10	2 cores per phase >2500mm^2	x <3	10
11		3 ≤ x < 15	8.4
12		x ≥ 15	8.2
13	3 cores per phase <=2500mm^2	x <3	14.6
14		3 ≤ x < 15	11.5
15		x ≥ 15	11.3

National Grid Electricity Transmission Special Condition 6K: Allowed Expenditure for meeting planning requirements and volume driver		
Comment number	**Para Ref**	**Comment**
200.	Table 3	Delete "(reading across rows)" as this is not required.
201.	Table 3	Rows associated with delivery years 2014, 2015 and 2016 should be deleted as they are not required.
202.	Table 3	Expenditure Year n = 2018/19 has been omitted from the Table headers – the last three column headers need to be corrected.
203.	Table 3	The spend profile for delivery year 2021 is incorrect – it sums to 110%
204.	Table 3	Additional rows for delivery years 2022 and 2023 need to be added – see mark up for the profiles.
205.	6K.11	In the formula, brackets are required around ($FV_{g,d}$ + $RV_{g,d}$) × $DUCA_g$n and RPE_n should be replaced with RPE_d
206.	6K.11	Definition of DMA_d – should refer to "Part B" rather than "Part C".
207.	6K.11	Definition of RPE_n – this should be RPE_d and therefore the reference to Part C of this condition is incorrect.
208.	Table 5	Should be numbered "Table 4".
209.	Table 5	Change "DNO undergrounding" to "DNO Underground Cabling" to make use of defined terms.
210.	Table 5	The use of "[REDACTED]" does not work – we need a means of recording the number for use with the formula.
211.	Table 5	Add "New build" ahead of "Overhead line – single circuit"; "Overhead line – double circuit" and "DNO substation bays" to clarify and avoid the need for defined terms in Special Condition 1A.
212.	6K.13	See comment 148 above. Suggest we add "deemed to be" before "set out in the format of Table 5".

National Grid Electricity Transmission Special Condition 6L: Baseline Demand Related Infrastructure Outputs and Allowed Expenditure volume driver		
Comment number	**Para Ref**	**Comment**
213.	General	This condition uses "DRI values" throughout but the PCFM Variable Values table uses "DIV". This must be made consistent.
214.	6L.3 (b)	"year d" should be "year t-2"
215.	Table 1	For clarity, the abbreviations BOSGT and BDOHL should be included in Table 1. Also, Allowed Expenditure is a defined term and should be capitalised.
216.	6L.8	"year n" is not defined

National Grid Electricity Transmission Special Condition 6L: Baseline Demand Related Infrastructure Outputs and Allowed Expenditure volume driver		
Comment number	**Para Ref**	**Comment**
217.	6L.8	It would be clearer if this read "The DRI values are to be determined in relevant Year t for each year n (n = 2013/14 to 2020/21) in accordance with the following formulae:"
218.	6L.8	A new clause (a) needs adding to set $DRI_{t,n}$ to $BDRI_{t,n}$ for the first two years of the RIIO-T1 period.
219.	6L.8 (a)	This becomes (b). $FDRI_{t,n}$ can be deleted as it is set to zero in paragraph 6L.10 (a).
220.	6L.8	The internal cross-reference in the definition of $VDRI_{t,n}$ should refer to "6L.9".
221.	6L.8	"Demand Connection" is not a defined term and should be lowercase.
222.	6L.8	$FDRI_{t,n}$ should clarify that the next price control period is the one "commencing on 1 April 2021".
223.	6L.9	The formula currently drafted does not work; specifically the use of sigma was wrong. It should read $VDRI_{t,n}$ $= \left[\{(AQSGT_{t-2} - BQSGT_{t-2}) \times £3.9million\} + \{(ADOHL_{t-2} - BDOHL_{t-2}) \times £1.1million\} + \left\{ \sum_{m=1\ to\ 9} (ASDCBL_{m,t-2} \times COUCA_m) \right\} \right] \times RPE_n \times WFD_{t-2,n}$
224.	6L.9	The definition of $AQSGT_{t-2}$ should be clarified as referring to "supergrid" transformers.
225.	6L.9	"Delivered" is a defined term and should be capitalised.
226.	6L.9	The definition of $BQSGT_{t-2}$ contains a typographical error ("grid" not "gird").
227.	6L.9	"m" is not defined.
228.	6L.9	"ALOHL" should be changed to "ADOHL", "BLOHL" to "BDOHL" and "ASLCBL" to ASDCBL" to differentiate between this quantity and the similar measure in the generation connection condition.
229.	6L.9	The formula does not yet reflect the fact that a single year or project may see more than one discreet section of cable commissioned. We suggest the use of a suffix (e.g. x) for separate cable sections such that we can then sum for all x in the formula above.
230.	6L.9 and 6L.10	$COUCA_m$ and RPE_n should refer to "Part B" of Special Condition 6F, not "Part B".
231.	6L.10	This could be simplified to say that $FDRI_{t,n}$ is zero for all Relevant Years other than 2018/19 (i.e. modify clause (a) and delete (c)).
232.	6L.10 (b)	It is necessary to add "for d = 2021/22 to 2022/23" to limit the forward forecast.

National Grid Electricity Transmission Special Condition 6L: Baseline Demand Related Infrastructure Outputs and Allowed Expenditure volume driver		
Comment number	**Para Ref**	**Comment**
233.	6L.10 (b)	The formula currently drafted does not work; specifically the use of sigma was wrong. It should read $FDRI_{t,d,n}$ $$= \left[(SGTF_d \times £3.9million) + (FDOHL_d \times £1.1million) + \sum_{m=1\ to\ 9} (FDCBL_{m,d} \times COUCA_m) \right] \times RPE_n \times WFD_{d,n}$$
234.	6L.10	"Deliver" is a defined term and should be capitalised.
235.	6L.10	The definition for $SGTF_d$ should specifically refer to "supergrid" transformers, and the "licensee" not the "licence".
236.	6L.10	$FDCBL_{m,d}$ does not yet reflect the fact that a single year or project may see more than one discreet section of cable commissioned. We suggest the use of a suffix (e.g. x) for separate cable sections such that we can then sum for all x in the formula above.
237.	6L.12	Add "deemed to be" so that the table can be populated without a licence mod.
238.	6L.15	'earlier Relevant Years' is not a defined term – suggest "earlier 'Relevant Years'"
239.	6L.15	Delete "as set out in Special Condition 5A (Governance of ET1 Price Control Financial Instruments)" because this is a defined term.

National Grid Electricity Transmission Special Condition 7A: Legacy Price Control Adjustments – System Operator		
Comment number	**Para Ref**	**Comment**
240.	General	In this condition (and occasionally elsewhere in the Licence, e.g. 7B), a different year numbering format has been used. For example "2-13-14" should be "2013/14" for consistency.
241.	7A.13	The plural of "formula" is "formulae".
242.	7A.15	"LAR" and "LRAV" should be "SOLAR" and "SOLRAV"

National Grid Electricity Transmission Special Condition 7B: Determination of PCFM Variable Values for Totex Incentive Mechanism Adjustments – System Operator		
Comment number	**Para Ref**	**Comment**
243.	7B.12	For consistency with Special Condition 6C, "any" should be the start of a new sentence.

National Grid Electricity Transmission Special Condition 7C: Specified Financial Adjustments – System Operator		
Comment number	**Para Ref**	**Comment**
244.	7C.9 and 7C.10	The internal cross-reference should be to "7C.8" not "7C.7".
245.	7C.29	This paragraph should refer to the provisions of "Parts A to C".

National Grid Electricity Transmission Special Condition 7D: Arrangements for the Recovery of SO uncertain costs		
Comment number	**Para Ref**	**Comment**
246.	General	"allowed expenditure" should be "Allowed Expenditure" throughout as this is a defined term.
247.	7D.26	This paragraph should refer to the "ET1 Financial Handbook" not the "relevant RIGs".

National Grid Electricity Transmission Special Condition 8A: Disapplication of Relevant Special Conditions		
Comment number	**Para Ref**	**Comment**
248.	8A.6	It is necessary to add "paragraph 8A.8 of" to avoid circularity. If the effect of this statement is not limited to 8A.8, the request is deemed never served and the 28-day period would never start.
249.	8A.8	This paragraph needs to refer to the "service" of a Disapplication Request in order to be consistent with 8A.3, 8A.5 and 8A.6.

National Grid Electricity Transmission Special Condition 8B: Services treated as Excluded Services		
Comment number	**Para Ref**	**Comment**
250.	8B.7	The reference to "Transmission Business Activities" does not currently work because the definition of this term in Special Condition 1A is incomplete. See comments on Special Condition 1A.

National Grid Electricity Transmission ET1 Financial Handbook		
Comment number	**Para Ref**	**Comment**
251.	General	We have provided a marked up copy of the handbook to address typos etc. Most of the minor comments have not been repeated in this table. However, in some cases the point is repeated in this table so that additional explanation of why the relevant change has been made can be provided.
252.	General	The mark up includes a large number of adjustments involving the capitalisation of letters etc. Many of these adjustments relate to defined terms which should be capitalised. For example there are a large number of instances of adding "Adjustment" to "Time Value of Money" because the defined term is "Time Value of Money Adjustment"
253.	General	Why has "Price Control Period", "Special Conditions" and "Handbook" been capitalised in the ET Handbook but not the GT/GD Handbooks? Should this be consistent? This may need to be changed throughout this handbook.
254.	Introduction	It is still not clear how the Final proposals fit in with the hierarchy of licence, handbook and PCFM. If the handbook and Final proposals are in conflict which one takes precedence?

National Grid Electricity Transmission ET1 Financial Handbook		
Comment number	**Para Ref**	**Comment**
255.	Chapter 1	The handbook does not contain any instructions and guidance on how to operate the model (other than a few comments within the model itself). It would be helpful to users less familiar with the model (customers and other industry participants) if there were some instructions. As things stand the model gives guidance on how to calculate certain inputs to the model (inputs which other industry participants are unlikely to calculate as they will not have the information to do so) but gives no guidance on how to correctly operate the model for a given set of inputs. Given the limited time available between now and a statutory consultation it may be appropriate to reference a document that will be developed giving the appropriate model guidance.
256.	Chapter 1	It would be helpful if this chapter gave further guidance on how the model makes sure that the annual iteration process and changes to the model align. How does the model make sure that if the model is changed, the MOD calculation compares the recalculated base revenue to the iteration last performed in the old model rather than the new one? There is the potential for a problem if the new model would indicate a different value for MOD for a prior year than that actually directed.
257.	1.16	We need to be careful referring to the model recalculating base revenue. The document states this on a number of occasions. The model does not calculate the licence term for base revenue but a sub set of it relevant to the calculation of MOD (and SOMOD). The document should clarify that the model is designed solely to calculate the MOD (and SOMOD) term and so does not reflect changes in revenue caused by movements in pass through costs or revenues associated with non-totex incentive scheme performance etc. The current language about recalculating Base Revenue is confusing in this regard as it implies that the model calculates an equivalent term to the base revenue in the licence which it does not, it calculates a component part For simplicity this may be best dealt with by a footnote that explains precisely what the model does and does not do (e.g. reference the fact that pass through items are not modified in the calculation).

National Grid Electricity Transmission ET1 Financial Handbook		
Comment number	**Para Ref**	**Comment**
258.	1.17	The text has been amended to read: "The output value of MODt for the licensee will reflect the difference between the recalculated base revenue figure for the licensee for Formula Year t and the base revenue (PU term) included in the Final Proposals. It will also reflect the difference between the recalculated base revenue figures held in the PCFM before the Annual Iteration Process and the recalculated base revenue figures for the licensee held in the PCFM after the Annual Iteration Process recalculations for Formula Years t-1 and earlier. The PCFM calculations will apply appropriate time value of money adjustments to the calculation of MODt, so that the licensee will be in the same economic position as if adjustments to base revenue for years prior to Formula Year t had been notified to it in the Formula Year concerned" This is to provide additional clarity. The previous text was incorrect in that for years t-1 and prior the MOD term is not equal to the difference between the most recent annual iteration and the previous one. MOD is a difference from the PU term. The inclusion of the word "economic" is because the licensee will not be in the "same" position if it does not receive the revenues in the years that the recalculations suggest they should have been received. It will be in the same **economic** position though if the time value of money adjustment is performed. This also achieves consistency with the ET1 handbook.
259.	1.25	Where will the log of model changes be kept? Will it be stored on the website with the model?
260.	1.27	The proposed file name is confusing. The model named 2014-15 is the model used to calculate income for 2015-16.
261.	2.10 Allowed expenditure (ii)	Part (ii) refers to the totex incentive mechanism and should not. 2.10 is explaining inputs to the PCFM. The TIM calculation is a calculation within the PCFM and does not inform an input to the model. The end of item (ii) should be amended – please see mark up provided.

National Grid Electricity Transmission ET1 Financial Handbook		
Comment number	**Para Ref**	**Comment**
262.	2.10 Percentage	The sentence is overly restrictive. A change in the cost of debt percentage does not only affect calculations of the return on RAV. It also affects the time value of money adjustments etc.
263.	2.10 True up revenue	The text states that these adjustments usually flow through to revenue in 2013/14. They do not. They are spread over the 8 years of RIIO-T1 according to the model. The input is for a 2013/14 value so the text should be modified. This fact is recognised in para 15.8 and similar text should be used in 2.10. Please see mark up provided.
264.	Chapter 3	Many elements of the proposals are affected by the Pensions Deficit Allocation Methodology, which will require further development. Depending on what is agreed and how it is applied we would anticipate that the corresponding text in this document may need to change as a result.
265.	Chapter 3	Given the extent of comments which still remain on this section, it is likely to prove very difficult to produce an accurate description which correctly describes the calculations and associated mechanisms in the next iteration, so the opportunity to comment on an improved draft of this section before the “direction” stage is reached would be beneficial for all parties.
266.	3.6	The final bullet is inconsistent with the definition of totex in 6.19 and correspondence between National Grid and Ofgem since the Final Proposals. We suggest deleting this bullet to remove any apparent inconsistency.
267.	Paragraph 3.8	The second sentence in this paragraph should be deleted, as the reasonableness review referred to here does not determine or inform the **proportion** of a licensee’s deficit which is attributable to the transportation business. However, if this sentence is retained, the words “acting reasonably, consistently with the price control pension principles, and” should be added after the word “Ofgem” in the final line.

National Grid Electricity Transmission ET1 Financial Handbook		
Comment number	**Para Ref**	**Comment**
268.	3.13	The licence SC 1A states that "Pension Protection Fund" has the meaning given in chapter 3 of the handbook. 3.13 explains that the PPF charge a levy but does not define Pension Protection Fund. A definition is required – we suggest a footnote referring to the glossary **and** the inclusion of an entry in the glossary.
269.	3.16	For GT, the preceding price control is TPCR4 **and** the rollover year, however for ET, the preceding price control is TPCR4 **excluding** the rollover year. The rollover should be considered consistently over the price controls.
270.	3.16	The TPCR4 pensions true-up amount are now based on actuals rather than forecasts, so the second sentence which refers to Special Conditions 6A and 7A and Chapter 15 of this handbook should be deleted. (Chapter 15 no longer makes any reference to pensions.)
271.	Table 3.1	In the final column, first row of dates, the APFE and SOAPFE values should be revised for "2013-14 and 2015-16 to 2020-21". Similarly, in the second row of dates the APFE and SOAPFE values should be revised for "2014-15 to 2020-21 excluding 2017-18", to avoid unnecessary complications when the true-up for 2017-18 is calculated (in late 2020).
272.	Table 3.1	It is unclear why a valuation at 31/3/12 is needed as well as a valuation at 31/3/13 (see comments which follow below). If the 2 dates reflect different pension schemes then the text should say "2012 or 2013" rather than "and".
273.	Para 3.25	The final sentence "This includes determining the actual Cut-Off Date Pension Scheme Established Deficit as at 31 March 2012." should be deleted. It is unclear why this value of the Established Deficit is seen as significant, given that it will change at each valuation and this value should not be used to set allowances (see comment below)

National Grid Electricity Transmission ET1 Financial Handbook		
Comment number	**Para Ref**	**Comment**
274.	Table 3.2 Rows 1 to 4	This Table calculates updated pension deficit allowances based on the March 2012 valuation, but there seems no justification for using this superseded valuation when the next full triennial valuation as at 31/3/2013 will already be available. The references to March 2012 in rows 1, 3, and 4 should be deleted and/or replaced by reference to the March 2013 valuation. It looks like there is confusion in this table between the established deficit (which is always as at 31 March 2012 for transmission) and the deficit valuation (which should be the most recent actuarial valuation). Generally speaking our understanding of Ofgem's policy intent is that up to date valuation data and assumptions will be used and the value of the established deficit "as at" 31 March 2012 will be updated on that basis.

National Grid Electricity Transmission ET1 Financial Handbook		
Comment number	**Para Ref**	**Comment**
275.	Table 3.2 & 3.3 Rows 8 & 9	The application of tax to this formula is incorrect because it is inconsistent with the way the financial model treats the EDE and SOEDE term. This tax treatment has been introduced since the previous draft and is incorrect. The financial model takes the EDE / SOEDE and includes it in revenue as a DARTS item. The model also removes this income from the tax allowance (or adds an equivalent cost). This means that the licensee will suffer tax (for which it will not be remunerated) on the value of the EDE /SOEDE term. This means that to achieve the correct post tax position, the EDE value must be pre tax. This is best illustrated by an example. Assuming a tax rate of 21%, if the network efficiently pays £100m more into the scheme than the allowance then the gross cost will be £100m and the net (of tax) cost £79m. This £79m is the net cost that the network needs to be compensated for. The drafting in the handbook would calculate an adjustment to the EDE value of £79m and add that to revenues. The model would then include £79m of income but not increase the tax allowance. When the company subsequently receives £79m of income (with no cost) it will pay tax on that income of £17m leaving it with £62m, i.e. the company will not receive the £79m net amount required. Effectively the company will only receive back £83m of the original £100m payment (net receipt of 62 plus original tax relief of 21) The simple way to address this issue is to remove the (1-CT) parts of the formula in the handbook. However this is not correct if the tax rate changes. The more correct way to address it would be to add a row after row 8 defining a new term (called D1 for this example) where $D1 = D / (1 – CT_t)$. In this case new term CT_t is the tax rate in the year for which the EDE value is being calculated, which in table 3.2 will be 2015/16. This applies to both row 8 and row 9, and to both tables 3.2 and 3.3

National Grid Electricity Transmission ET1 Financial Handbook		
Comment number	**Para Ref**	**Comment**
276.	Table 3.2 and 3.3 Row 8 (d)	The text at (d) is unclear. It states that "Where the licensee has taxable profits in the year, deduct the value of corporation tax…". The way this is written implies that the whole of the licensee's corporation tax bill is deducted which is not the case. The item above gives two options on how to modify this section to correct a tax error. If the more complex / correct route is chosen the current words should be replaced with "Where the licensee has taxable profits in the year, calculate the post tax cost of the efficient deficit repair payment by multiplying by 1 minus the corporation tax rate." If the simpler option is chosen then the tax adjustments can be removed.
277.	Table 3.2 and 3.3 Row 8 (e) and row 9	The WACC uplift is incorrect. The time value of money adjustment from 2012/13 to 2015/16 is not to multiply by $(1 + \text{WACC}_{12/13})$^3. Instead it should be to multiply by $(1 + \text{WACC}_{12/13}) \times (1 + \text{WACC}_{13/14}) \times (1 + \text{WACC}_{14/15})$. This change is important because with the move to a cost of debt index the WACC is expected to be different in each year. This applies to both table 3.2 and 3.3 and to rows 8 and 9.
278.	Table 3.2 Row 8	In Row 8, the words "in 2009-10 prices" should be deleted from the definition of ED. ED appears at step (a). It is then deflated at step (c). It follows that ED must have been in nominal prices.

National Grid Electricity Transmission ET1 Financial Handbook		
Comment number	**Para Ref**	**Comment**
279.	3.27 and 3.30	The drafting in this para is incorrect. Even adopting Ofgem's policy position it is not true to state that if there is a surplus on the scheme for the date used to set the established 'deficit' then EDE and SOEDE should be set to zero. This is best illustrated by an example. It is entirely possible for a scheme to have a surplus of £1 as a result of paying £100m more into the scheme than allowances. Following the logic of table 3.2 the annuitised cost of the deficit ('C' in table 3.2) would be zero but item 'G' would have a positive value due to the need to refund the overpayments (which are assumed to be efficient (other than £1 perhaps)). The EDE value of 'C' + 'G' would be a positive value. Making this change means that para 3.27 should either be deleted or the first sentence should be removed leaving just the sentence referring to the March 11 strategy document. Row 7 of table 3.2 already states that 'C' is zero if there is a surplus.
280.	Table 3.3 Row 8	In Row 8, the words "in 2009-10 prices" should be deleted from the definition of ED. ED appears at step (a). It is then deflated at step (c). It follows that ED must be in nominal prices.
281.	Table 3.3 Row 9	In row 9 the words "before any true-up adjustment is included" should be inserted in the opening line so it reads "Obtain pre-existing EDE allowances before any true-up adjustment is included for comparison to licensee's actual deficit repair payment" Similarly, in row 9 at point (a) the words "before any true-up adjustment" should be inserted so it reads "a) Obtain pre-existing EDE allowances before any true-up adjustment ("C" in Table 3.2) These additional words are required to avoid comparing a current year cost to an allowance that reflects a combination of cost and catch up element.

National Grid Electricity Transmission **ET1 Financial Handbook**		
Comment number	**Para Ref**	**Comment**
282.	Table 3.3 Row 12	In row 12, the formula for revised EDE values should not just be “”C” + “G”, but should consist of 3 elements, i.e. **“C” + “G” + “G from Table 3.2 above”.** This is because the value of G calculated in table 3.2 assumes that this true-up (whether positive or negative) will be added to/subtracted from allowances for 12 years, but only 3 of these years will have elapsed by the second reset that is carried out in 2017, according to the process in Table 3.3. Thus the values of “G” from the Table 3.2 need to be added to “C” and “G” as calculated in the rest of table 3.3 in order for the correct EDE (and SOEDE) values to be calculated.
283.	3.33	In the section on “Values to be directed by 30 November 2017”, the text at point (iii) should refer to the updated allowance for Pension Scheme Administration and PPF Levy expenditure as reset in 2014 rather than the original values as set out in RIIO-T1 Final Proposals – please see suggested words in the mark up of the handbook
284.	3.33 (v)	Typo: “If the amount at (iii)…” should read “If the amount at (ii)…
285.	Section 4	A large number of edits have been made to the mark up copy to achieve consistency between the ET1 and GT1 handbooks
286.	4.10	The current drafting for regulatory tax losses confuses gross tax losses and net tax allowances. Please see the mark up for a suggested alternative.

National Grid Electricity Transmission ET1 Financial Handbook		
Comment number	**Para Ref**	**Comment**
287.	4.29	The para states that tax increases will not be made NPV neutral but is silent on tax reductions. The implication (but it is not clear) is that increases and reductions are treated differently. This is inappropriate on at least three grounds: • First, type B items are by definition exogenous to the licensee so they cannot control them and should not suffer as a result of them • Second, a HRMC interpretation may only become known to a licensee after 30 September of t-1. The cut off date for notifying Ofgem of a trigger event is 2 and a half years before the computation for a given year is due to be submitted to HRMC and 2 and a half years is a long time in which type B events could occur. Computations are then typically agreed (or HMRC interpretations given) some time after the computation has been submitted. • Third, the para closes by saying each event will be dealt with on its merits on a case by case basis. How can you do this if you have already stated that NPV adjustments will not be made? If, on the other hand, the case by case point is specific to whether a licence breach has occurred this is unclear with the current drafting. Ofgem's policy intent is understood but it cannot be appropriate to state that NPV adjustments will not be made for changes that are not known about by the cut off date. Please see the mark up provided for a suggestion which retains the case by case consideration of licence breach but addresses the points highlighted above.

National Grid Electricity Transmission **ET1 Financial Handbook**		
Comment number	**Para Ref**	**Comment**
288.	4.29	The document states that licence breach would be considered on a case by case basis. Additional clarity is required on what would be considered in such a case by case review. For example, we can see how not informing Ofgem of a change which you use in your own tax computation could be considered a potential breach since you should have known to inform Ofgem but if your tax computation does not reflect the change does this imply it as reasonable not to have known about the tax trigger event?
289.	4.39 (x)	Delete the words at the end “which is also calculated under the macro calculation” The deadband is not calculated by the macro – it is supposed to be a set percentage of base revenues from Final Proposals (PU term).
290.	Part 3 – tax trigger	There is a fundamental flaw in the logic of the tax trigger gearing and interest tests. The test compares actual gearing to the notional rate and then applies an interest cost test. If you consider an overspend, the modelled interest will be based on the modelled gearing for t-2 after including actual costs in the model. The model will apply the totex incentive mechanism and assume additional income is received in t-2. This income partly or fully offsets against any additional costs (over and above allowances) that may have been incurred and so will understate the gearing actually expected. In reality the company will not receive the additional income until year t so you would logically expect gearing to exceed the modelled rate and so for the tax trigger to be activated. To address this, the model would need additional functionality to reflect a debt balance based on the actual timing of cash flows rather than the notional flows modelled.

National Grid Electricity Transmission ET1 Financial Handbook		
Comment number	**Para Ref**	**Comment**
291.	Part 3 – tax trigger	Is there any scope for judgement to be applied in the operation of the tax claw back? The licensee could breach the tax claw back on interest costs despite exactly matching the performance in the model if the nominal interest costs incurred exceed those in the model (perhaps due to the issue highlighted above or RPI being higher than 2.8%)
292.	4.58	The text refers to the actual corporation tax rate. If a tax rate change has not been sufficient to activate the tax trigger should this be the actual tax rate or the rate applied in the model which will be: i) The initial assumption if no tax trigger event has occurred; or ii) The corporation tax rate used by virtue of the tax trigger if an event has occurred It would seem appropriate for the calculation to be performed using the tax rate that has been applied in the PCFM (whether directly or via the tax trigger) The GT handbook uses different text, namely that the hard coded rate in the model will be used. This is preferable to the current ET handbook drafting but does not address the issue of a tax trigger resulting in a different rate being applied in practice.
293.	4.60	This paragraph is not clear. What is the “pre tax TGIE/SOTGIE”? The amount referred to at 4.58 was not pre tax as the benefit figure = interest difference x tax rate. What exactly would be added to the tax losses?

National Grid Electricity Transmission ET1 Financial Handbook		
Comment number	**Para Ref**	**Comment**
294.	4.65 to 4.68	This section seems to confuse net tax costs with gross tax allowances. The model correctly grosses up the modelled tax charge by (1 – tax rate) to derive a tax allowance. With a 23% tax rate the multiplier is 30%, i.e. 1/(1-0.23) = 1.30 To take an example. Additional tax costs (pre grossing up) of 100 require a tax allowance of 130 (where 130 x (1 – 23%) = 100.) 4.65 states that if there are unutilised tax losses these will abate the increase. Losses would abate some of the 100, the unabated value would then be grossed up by (1-tax rate) The model appears to work correctly. It is the drafting that is unclear.
295.	4.67	This para is incorrect and should be removed. An **incremental** change in TGIE can be positive, but the **total value** of TGIE can only be negative or zero. To take an example, TGIE may be calculated at -10. The next year it is calculated at -2. The absolute level of TGIE is negative but the incremental change is positive, i.e. +8. An alternative to deleting the para is to change the words to state "TGIE / SOTGIE can only be a negative value or zero (…."
296.	4.68	For the same reasons as the item above, the start of this sentence should be changed to remove the 'incremental' references. Suggest changing the text to "A negative TGIE/SOTGIE value will decrease…."
297.	6.19	The licence (SC 1A) refers to the handbook chapter 6 for a definition of TO totex and SO Totex. In this context this para not only needs to say that this is a definition of **TO Totex and SO Totex** but it also has to be the definition that matters. In this context this para should not then say that the full definition is provided elsewhere (the RIGS). If the intention is to define it elsewhere the licence should not direct users to this chapter.

National Grid Electricity Transmission ET1 Financial Handbook		
Comment number	**Para Ref**	**Comment**
298.	6.19	The definition needs to be something which can be clearly followed. "costs associated with specific incentive schemes (e.g. TIRG)" is too vague. How do we know which incentive schemes are excluded? If it is only TIRG then the definition should explicitly refer just to TIRG, not use it as an example.
299.	6.19	The bullet for "Costs related to the SF6 incentive" should be deleted – these costs are not separately identifiable. It is not clear why "asset revaluation amounts" are excluded by this definition – suggest deletion of this line from the definition
300.	Sections 7 to 14	Para 10.11 helpfully explains what happens if the Authority does not determine the relevant PCFM variable value by 30 November. A similar paragraph should be included in the other sections
301.	Chapters 7 to 14	It is not clear what the purpose of these chapters is. Generally speaking they do not provide any guidance over and above that which is already provided in the licence. Most of the words simply summarise the licence but, as is made clear in the introduction of the handbook, the licence takes precedence so users are best advised to simply read the relevant licence conditions. The examples are the most useful part but in several cases (see below) they are incorrect. Equally, the chapters typically summarise the licence and then say you should go and read the licence anyway, e.g. para 9.10 summarises the licence but 9.11 says refer to the licence condition " for the full and definitive procedures and requirements" Is the intention to eventually provide additional guidance in these chapters, i.e. to further develop these chapters over time?
302.	9.1	The reference should be to the Network Development Policy, not System Security and Quality of Supply Standards. This UM is about applying the Network Development Policy to determine which investments should be undertaken (and allowances provided)

National Grid Electricity Transmission ET1 Financial Handbook		
Comment number	**Para Ref**	**Comment**
303.	10.10 Similar comments throughout chapters 7 to 15	6th bullet (a) (ii) refers to "this" condition. The "this" is out of context as the condition is not referred to earlier in the sentence etc and has presumably stayed as a "this" as a result of copying it from the licence. "This" should be replace with "the"
304.	10.13 (iii)	Why are the SHET references included in a para specifically about NGET and SPTL?
305.	10.13 Example	The adjustment in the example is missing the "x Weighting" part, i.e. the output x UCA x RPE then needs a "x weighting" to reflect the fact that the allowances are spread over multiple years.
306.	10.13 Example	The closing sentence is incorrect. Allowances are not amended for the year in which actual additional capacity is reported. Instead, after reporting additional outputs for year t-2 in the reporting pack submitted in t-1, the calculation of MOD in year t uses updated allowances for years t-2, t-3, t-4 and t-5. The current drafting implies the allowances change for t-1 which they do not. Please see mark up for revised text which follows an approach consistent with that used in the example to chapter 9.
307.	13.13	This text needs to reflect Special Condition 6K.15 which uses the term UCE rather than DUV and 14 days notice rather than 28.
308.	13.14	The example does not reflect the licence condition (SC 6K) – see mark up for amendments
309.	14.1	Paragraph 14.1 states 'increase the offtake capacity' – this is incorrect, the volume driver is not capacity related, but volume of transformers related. In addition 'offtake capacity' is gas terminology which means nothing in electricity.
310.	14.11	The example does not reflect the licence condition (SC 6L) – see mark up for amendments

National Grid Electricity Transmission ET1 Financial Handbook		
Comment number	**Para Ref**	**Comment**
311.	15.8	The current drafting appears contradictory. Revenues are spread over 8 years but there are no provisions to revise the term other than for 2013-14. Ofgem's policy intent and the model are clear. We have changed the order of the text in this para to make it clearer – see mark up.
312.	15.14	This para refers to "opening base revenues", however as NGET also has an SO role, should this reflect SO internal costs? We would suggest that this para refers to "Base Transmission Revenue/SO internal revenue", as those terms are defined in SC3A and SC4A. This comment may need to be reflected throughout this handbook.
313.	15.16 & 15.18	The legacy calculations workbook should be included within the reference documents para and a link provided
314.	15.16 & 15.63	15.63 requires the use of the "pre RIIO-T1 financial model". As this is a reference document a link should be provided to it in para 15.16
315.	15.17 to 15.19	Given their potential to change revenues a para is required on the governance of these spreadsheets. Either there should be a statement that no changes will be made (could be unwise) or the governance should be set out. As a minimum we would recommend that any changes have to be agreed by the relevant PCFM Working Group.

National Grid Electricity Transmission ET1 Financial Handbook		
Comment number	**Para Ref**	**Comment**
316.	15.31 / 15.32	The handbook describes an adjustment which is entirely inconsistent with the RIIO-T1 approach (and the legacy calculations spreadsheet) The text compares actual gearing to "the nominal projected closing gearing in the TPCR4 Price Control model". This is not what the legacy calculations workbook appears to do. The adjustment proposed in the text for TAR is inconsistent with the approach adopted during the RIIO-T1 period. During the RIIO-T1 period the tax claw back adjustment compares actual gearing to the notional rate (i.e. 60% for NGET). However, we do not think any TAR adjustment should be performed at all. NGET was forecast to have gearing of 60.7% and 60.7% was used as an opening balance to set revenues for the RIIO-T1 period. It would be entirely inappropriate therefore to clawback the interest costs associated with gearing in excess of 60% when the price control used higher gearing to begin with. The TAR calculation is not required as a legacy adjustment at all. If gearing is excessive the network will fall foul of a TAR adjustment in the RIIO-T1 period unless it takes steps (such as an equity injection) to reduce gearing during 2013/14. The legacy spreadsheet performs the calculation consistently with that adopted throughout the RIIO-T1 period, i.e. it compares actual gearing to the notional rate of 60%. If a calculation should be performed we believe the workbook is the more appropriate approach. Please see the mark up for drafting changes that reflect the current legacy calculations workbook and our understanding of Ofgem's policy intent.

National Grid Electricity Transmission ET1 Financial Handbook		
Comment number	**Para Ref**	**Comment**
317.	15.32	This paragraph does not work as originally drafted. First, 15.31 (a) and (b) have been expressed as negatives, e.g. if gearing is lower then the adjustment is zero. This means that rather than "both" circumstances applying, the TAR term only takes a value if "neither" 15.31 (a) or (b) apply, i.e. TAR only takes a value if the gearing test and the interest cost test is met. Second, the value of the adjustment is not as described in this text. The adjustment is equal to the excess interest costs multiplied by the tax rate (x -1). Note - The current text says "multiply the forecast legacy gearing level and interest cost adjustment used in setting the licensee's opening base revenues (expressed as a negative figure) by -1 to give the incremental adjustment". Taking NGET as the example, forecast legacy gearing is 60.7% (per the spreadsheet). It is not clear what the interest cost adjustment is as there was no "adjustment" in base revenues. If this means the cost of debt allowance then as currently described the text would remove 100% of the interest costs (x tax rate) which is clearly inappropriate. Please see the mark up for alternative text which is both clearer and more consistent with the policy intent
318.	15.37	This paragraph contains "outputs" 6 times despite the fact that TPCR4 and TPCR4 rollover were not RIIO outputs based price controls. An alternative form of words is required that portrays the Ofgem policy intent to perform an efficiency review in a clearer way that is more consistent with the TPCR4 (and rollover) control.
319.	15.38	For NGET the second bullet should not have revenue driver capex excluded from efficient out-turn capex – this exclusion is for the Scottish companies only (see NGET Special Condition D9). Both parts of the CxIncRA term are different between NGET (D9) and the Scottish TOs (J7). This is correct in the legacy workbook provided.

National Grid Electricity Transmission ET1 Financial Handbook		
Comment number	**Para Ref**	**Comment**
320.	15.40	The language in this summary is vague and potentially misleading. Two examples are: • Presumably the first bullet is to update / use the "actual efficient capex" incurred (i.e. actual costs subject to an efficiency review). The word "allowed" is misleading as an efficiency review would not change the value of the capex allowances. • For the second bullet, the LV term (excluding LVWIP) for NGET will be an automatic adjustment to allowances, based on the outputs delivered and is not subject to any review of efficiency
321.	15.41	Changing the allowance for 2012/13 (or earlier) will not change the RAV. Actual capex differing from the level of capex assumed (allowed) will do – please see mark up for suggestion. An alternative would be to change "revised allowed capex spend" to "Adjusted efficient capex spend"
322.	15.45	The description of the steps to follow is misleading as it implies that 100% of the difference between allowance and cost will be reflected in an amendment to the opening RAV. The steps miss the fact that a 25% sharing factor applies and that some of the 25% (just over 3%) has already been suffered as a result of the foregone difference in return on the RAV during the 2012/13 year (i.e. the description omits key parts of the capex incentive calculation)
323.	15.46	Changing the allowance for 2012/13 (or earlier) will not change the RAV. Actual capex differing from the level of capex assumed (allowed) will do – please see mark up for suggestion.
324.	15.47	This para (and throughout this section) refers to SOCRAV but omits SOCAR. The legacy calculations workbook also ignores SOCAR. SOCAR should be added to all the relevant places in the handbook and included in the legacy calculation workbook The SOCRAV calculations derive a depreciation figure which needs to be provided as an income adjustment. This income adjustment (and the return on RAV component) is currently absent.

National Grid Electricity Transmission ET1 Financial Handbook		
Comment number	**Para Ref**	**Comment**
325.	15.50	The text says SOCAR is only calculated if required. SOCRAV calculates a RAV adjustment. By definition if SOCRAV identifies that the RAV should have been different then SOCAR will be required because the return on RAV (and potentially depreciation) element of income will have been changed. SOCAR should therefore be added to the legacy calculations workbook and the text in 15.50 amended to state that a SOCAR calculation will be performed if there is a SOCRAV value.
326.	15.51	This paragraph either needs deleting or significantly expanding upon. SOOIR is not in the legacy calculations workbook, nor is it a variable value for the model so it is not clear why this paragraph is in the handbook or what Ofgem intends to do to calculate the value. Should this be in the legacy calculations workbook?
327.	15.69	It is confusing to refer to "Price Control Period", which means 2013 to 2021, when referring to TPCR4, which concerns an earlier period of time. Please revise.
328.	15.75 to 15.82	The legacy calculation workbook has calculations for SAR and SRAV. Unfortunately the text in these paras does not accurately describe the calculations that take place. We would suggest re-ordering these sections to provide additional clarity. In particular the workbook puts logged up capex (covering both security and logged up capex) on the SRAV sheet. It puts logged up opex on the SAR sheet (this is not what 15.78 says). The explanation should start with SRAV since the SRAV sheet calculates not only the RAV adjustment but also the depreciation and return parts of the income adjustment that goes into the SAR calculation (this is not what 15.81 (a) says). SAR takes the depreciation and return from SRAV and adds this to the logged up opex values / differences. Ordering this section in this way would be far clearer and also more closely reflect the actual calculation performed

National Grid Electricity Transmission ET1 Financial Handbook		
Comment number	**Para Ref**	**Comment**
329.	15.78	SAR only covers logged up opex. Logged up capex is covered on the SRAV worksheet.
330.	15.83 – 15.84	It is not clear what the intent of these 2 paras is. The title is CAR / CRAV but the text is SAR / SRAV and LAR / LRAV. Are these paras supposed to be specific to SAR / SRAV or are they generic about the potential for previously determined values to be revised. It is not clear currently. If this is generic should it be a separate part (ie. Part 5 with Part 5 then named Part 6)?
331.	Glossary	Suggest adding a definition for 'Incentive Strength'
332.	Glossary	MOD Term – this needs to refer to SC 3A and SC 4A. This should also refer to "Base Transmission Revenue", should also refer to SO internal costs and should also refer to SOMOD.
333.	Glossary	Time value of money adjustment This definition works as a 'basic terms' explanation but when this basic term is applied to multiple years you get the wrong result (see item on pensions WACC adjustment above). It would be better either to leave the definition as (1+x) without the n or to show an example of two years showing $(1 + X_{\text{(year 1 WACC)}}) \times (1 + X_{\text{(year 2 WACC)}})$
334.	Glossary	The licence SC 1A refers to a definition of "Vanilla Weighted Average Cost of Capital". Separately, chapter 15 refers to the pre-tax WACC. Suggest having several WACC related entries in the glossary such as "Vanilla Weighted Average Cost of Capital" (the one referred to be SC1A, "Pre-tax WACC", and a generic one for "WACC".

National Grid Electricity Transmission EDR Scheme Guidance Document		
Comment number	**Para Ref**	**Comment**
335.	1.8 to 1.11	Following discussions since the publication of the document, we understand that the reward should be £4m per annum for RIIO-T1.
336.	1.15	Need to insert the word “maximum” between “up to half the annual” and “funding”.
337.	2.20	This should include the requirement for a point of contact (mentioned in paragraph 3.1).

National Grid Electricity Transmission Electricity Network Innovation Allowance Governance Document		
Comment number	**Para Ref**	**Comment**
338.	General	Comments and feedback on this document is being discussed at the Innovation Workshop Group.

National Grid Electricity Transmission Electricity Network Innovation Competition Governance Document		
Comment number	**Para Ref**	**Comment**
339.	General	Comments and feedback on this document is being discussed at the Innovation Workshop Group.
340.	7.3	“around December” needs to be more specific – a date prior to 20 December would allow outcome to be reflected in draft charges for customers.