Electricity Transmission Plc

Electricity transmission licence

Special Conditions

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# Interpretation and definitions

## Interpretation and definitions

Introduction

* + 1. The purpose of this condition is to provide for the special conditions of this licence:
       1. some provisions of general interpretation; and
       2. the meaning of the defined terms, which are capitalised throughout the special conditions.

### Interpretation

* + 1. Wherever the subscript ‘t’ is used, without further numerical notation, the value to be used is the one for the Regulatory Year in question.
    2. A positive or negative numerical notation indicates that the value to be used is for a year after or before the Regulatory Year in question and the number indicates how many years after or before.
    3. In some cases, other subscripts may also be used to denote the value for a specific Regulatory Year and are noted in those special conditions.
    4. Any reference in these special conditions to:
       1. a provision thereof;
       2. a provision of the standard conditions of electricity transmission licences;
       3. a provision of the standard conditions of electricity supply licences;
       4. a provision of the standard conditions of electricity distribution licences;
       5. a provision of the standard conditions of electricity generation licences;
       6. a provision of the standard conditions of electricity interconnector licences
       7. must, if these or the standard conditions in question come to be modified, be construed, so far as the context permits as a reference to the corresponding provision of these or the standard conditions in question as modified.
    5. Any reference in these special conditions to a numbered appendix is, unless otherwise stated, to the relevant numbered appendix to that special condition.
    6. Unless otherwise stated, any reference in these special conditions to the Authority giving a direction, consent, derogation, approval or designation includes:
       1. giving it to such extent, for such period of time, and subject to such conditions, as the Authority thinks reasonable in all the circumstances of the case; and
       2. revoking or amending it after consulting the licensee.
    7. Unless otherwise stated, any reference in these special conditions to the Authority making a determination includes making it subject to such conditions as the Authority thinks reasonable in all the circumstances of the case.
    8. Any direction, consent, derogation, approval, designation or determination by the Authority will be given or made in writing.
    9. Where these special conditions provide for the Authority to issue or amend a document by direction, the steps required to achieve this may be satisfied by action taken before, as well as by action taken on or after, 1 April 2021.
    10. Any monetary values in these special conditions are in sterling in a 2018/19 price base unless otherwise indicated.

### Definitions

* + 1. In these Special Conditions the following defined terms have the meanings given in the table below.
    2. [Insert table here]

## Amendments to the Standard Conditions for the purposes of this licence

*[This drafting applies to SHET and SPT’s licence only]*

Introduction

* + 1. The purpose of this licence condition is to modify the Standard Special Conditions in its application for the purposes of this licence.

### Modifications

* + 1. For the purposes of this licence Standard condition A1 (Definitions and interpretation) should be read as follows:
       1. insert immediately after the definition of "Section E (offshore transmission owner standard conditions) Directions" and the definition of "statutory accounts":

|  |  |
| --- | --- |
| "separate business" | means each or any of:  (a) any supply business of (i) the licensee or (ii) an affiliate or related undertaking of the licensee;  (b) any distribution business of (i) the licensee or (ii) an affiliate or related undertaking of the licensee;  (c) any generation business of (i) the licensee or (ii) an affiliate or related undertaking of the licensee;  (d) any interconnector business of (i) the licensee or (ii) an affiliate or related undertaking of the licensee;” |

* + - 1. at the definition of “transmission business” delete sub paragraph (i) and all subsequent text up to, but not including, the definition of “transmission constraint costs” and insert in its place the following new subparagraphs:
         1. “any other separate business;
         2. any business of the licensee or any affiliate or related undertaking in the provision of settlement services in connection with the BSC or the Pooling and Settlement Agreement; or
         3. any other business whether or not a separate business of the licensee or any affiliate or related undertaking in the provision of services to or on behalf of any one or more persons.”

*[This drafting applies to NGET’s licence only]*

Introduction

* + 1. The purpose of this licence condition is to modify the Standard Special Conditions in its application for the purposes of this licence.

### Modifications

* + 1. For the purposes of this licence Standard Condition A1 (Definitions and interpretation) should be read as follows:
       1. by the addition in the definition of “distribution system” immediately after “any electrical plant” insert "remote transmission assets (owned by the licensee within England and Wales) operated by such distributor and";
       2. in the definition of “GB transmission system” insert at the end, immediately preceding the full stop, “but shall not include any remote transmission assets”;
       3. in the definition “national electricity transmission system” insert at the end, immediately preceding the full stop, “but shall not include any remote transmission assets”;
       4. after the definition of "relinquishment of operational control" insert:

|  |  |
| --- | --- |
| "remote transmission assets" | means any electric lines, electrical plant or meters in England and Wales owned by the licensee which:  are embedded in a distribution system of an authorised electricity operator within the transmission area of the licensee and are not directly connected by lines or plant owned by the licensee to a sub-station owned by the licensee and  are, by agreement between the licensee and such authorised electricity operator, operated under the direction and control of such authorised electricity operator. |

* + - 1. at the definition of “transmission business” delete sub paragraph (i) and all subsequent text up to, but not including, the definition of “transmission constraint costs” and insert in its place the following new subparagraphs:
         1. “any business of the licensee or any affiliate or related undertaking in the provision of settlement services in connection with the BSC or the Pooling and Settlement Agreement;
         2. any other business of the licensee or any affiliate or related undertaking in the provision of services to or on behalf of any one or more persons; or
         3. any business of National Grid Electricity System Operator Limited (Company Number 11014226) and its affiliates or related undertakings that is participating in the transmission of electricity pursuant to a transmission licence held by National Grid Electricity System Operator Limited”.

# Revenue Restriction

## Revenue Restriction

Introduction

* + 1. The purpose of this condition is to ensure that the licensee sets Network Charges to aim to recover no more than Allowed Revenue.
    2. This condition also provides for the calculation of the term ARt (the Allowed Revenue term).

### Licensee’s obligation when setting Network Charges

* + 1. The licensee must, when setting Network Charges use its best endeavours to ensure that Recovered Revenue does not exceed Allowed Revenue.

### Formula for calculating the Allowed Revenue term (ARt)

* + 1. The value of ARt is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
|  | means Calculated Revenue, derived in accordance with Part C; |
|  | is the price index calculated in accordance with Part D; |
|  | means the AIP adjustment term and is derived in accordance with Special Condition 2.2 (AIP adjustment term); |
|  | means the K correction term and is derived in accordance with Part A of Special Condition 2.3 (Correction and penalty terms); and |

* + 1. The value of will be published pursuant to Part B of Special Condition 8.2 (Annual Iteration Process for the GD2 Price Control Financial Model). The value of is not revised following publication.

### Formula for calculating the Calculated Revenue term (Rt)

* + 1. The value of Rt is derived in accordance with the following formula:
    2. where all values are as published pursuant to Part A of Special Condition 8.2 (Annual Iteration Process for the GD2 Price Control Financial Model) and

|  |  |
| --- | --- |
|  | means fast money and has the value set out in sheet X of the GD2 Price Control Financial Model); |
|  | is derived in accordance with Special Condition 6.1 (Pass through expenditure); |
|  | means depreciation and has the value set out in sheet X of the ET2 Price Control Financial Model); |
|  | means return and has the value set out in sheet X of the ET2 Price Control Financial Model; |
|  | means return adjustment and has the value set out in sheet X of the ET2 Price Control Financial Model; |
|  | means equity issuance costs and has the value set out in sheet X of the ET2 Price Control Financial Model; |
|  | means directly remunerated services and has the value set out in sheet X of the ET2 Price Control Financial Model; |
|  | is derived in accordance with Special Condition 4.1(Total output delivery incentive performance); |
|  | means the business plan incentive term and has the value in sheet X of the ET2 Price Control Financial Model, unless the Authority directs otherwise under Special Condition 4.7 (Consumer Value Proposition); |
|  | is derived in accordance with Special Condition 5.1 (Total innovation allowance); |
|  | is derived in accordance with Special Condition 7.1 (Total legacy adjustments); |
|  | has the value set out in sheet X of the ET2 Price Control Financial Model; and |
|  | means the tax allowance adjustment term and has the value zero, unless the Authority directs otherwise under Special Condition 2.4 (Tax Review Adjustment). |

### Formula for calculating the Price Index term (PIt)

* + 1. The value of PIt is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
| *i* | refers to Regulatory Years on or after 2020/21 and up to year t; |
| *RPIt* | means the arithmetic average of the Retail Prices Index between each of the twelve months from 1 April to 31 March in Regulatory Year t; and |
| *CPIHi* | means the arithmetic average of the Consumer Prices Index Including Owner Occupiers' Housing Costs between each of the twelve months from 1 April to 31 March in Regulatory Year i. |

## AIP adjustment term (ADJt)

Introduction

* + 1. The purpose of this condition is to calculate the term ADJt (the AIP adjustment term), which feeds into Allowed Revenue in Special Condition 2.1 (Revenue Restriction)

### Formula for calculating the AIP adjustment term (ADJt)

* + 1. For the Regulatory Year commencing on 1 April 2021, the value of ADJ is zero.
    2. For subsequent Regulatory Years, the value of ADJt is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
| *i, j* | refer to Regulatory Years between 2021/22 and Regulatory Year t-1; |
| *PIi* | is the price index calculated in accordance with Part D of Special Condition 2.1; |
|  | means Calculated Revenue for Regulatory Year i, derived in accordance with Part C of Special Condition 2.1; |
|  | means the adjusted revenue for Regulatory Year *i*, derived in accordance with Part B. |
| *Ij* | means the average value of SONIA between 1 April and 31 March in Regulatory Year j (inclusive). |

### Formula for adjusted revenue (ADJRt)

* + 1. The value of *ADJRt* is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
| *t|t-1* | means for Regulatory Year t, as of the AIP publication in Regulatory Year t-1. |
|  | means Calculated Revenue, derived in accordance with Part C of Special Condition 2.1; |
|  | is the price index calculated in accordance with Part D of Special Condition 2.1; and |
|  | means the AIP adjustment term and is derived in accordance with Part A. |

## Correction term

Introduction

* + 1. The purpose of this condition is to calculate the term Kt (the correction term), which feeds into Allowed Revenue in Special Condition 2.1 (Revenue Restriction). The effect of which is to make the appropriate adjustment to Allowed Revenue to reflect historical deviations between Recovered Revenue and Calculated Revenue.

### Formula for calculating the correction term (Kt)

* + 1. For the Regulatory Year commencing on 1 April 2021, the value of K is zero.
    2. For subsequent Regulatory Years, the value of Kt is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
| *i, j* | refer to Regulatory Years between 2021/22 and Regulatory Year t-1; |
|  | means the adjusted revenue for Regulatory Year *i*, derived in accordance with Part B of Special Condition 2.2 (AIP adjustment term); |
|  | means the Recovered Revenue for Regulatory Year *i*; and |
| *Ij* | means the average value of SONIA between 1 April and 31 March in Regulatory Year j (inclusive). |

## Tax Review Adjustment (TAXAt)

Introduction

* + 1. The purpose of this condition is to calculate the term TAXAt (the Tax Review adjustment term), which feeds into Calculated Revenue in Special Condition 2.1 (Revenue Restriction).
    2. The effect is to adjust Calculated Revenue following a review of differences between the licensee’s Calculated Tax Allowance and its Actual Corporation Tax Liability.
    3. It also explains the process the Authority will follow when directing any change as a result of the review.

### Undertaking a Tax Review

* + 1. The Authority may undertake a Tax Review of any material differences between the licensee's Calculated Tax Allowance and its Actual Corporation Tax Liability.
    2. Where the Authority notifies the licensee that it has decided to undertake a Tax Review and given the reasons for that decision, the licensee must:
       1. procure an Appropriately Qualified Independent Examiner to examine the differences between the licensee’s Calculated Tax Allowance and its Actual Corporation Tax Liability and provide a report to the Authority;
       2. carry out any steps specified by the Authority for the procurement of an Appropriately Qualified Independent Examiner and comply with any requirements specified by the Authority as to the terms of appointment of the Appropriately Qualified Independent Examiner;
       3. ensure that the Appropriately Qualified Independent Examiner carries out the work within the scope, and by the date, specified by the Authority; and
       4. submit to the Authority a report from the Appropriately Qualified Independent Examiner in the form, and containing the content, specified by the Authority.
    3. Following receipt of the Appropriately Qualified Independent Examiner's report, the Authority will:
       1. direct any adjustments to the value of the TAXAt term that it considers should be made, and
       2. specify the Regulatory Years to which those adjustments relate.

### What process will the Authority follow in making a direction?

* + 1. Before making a direction under paragraph 2.4.6, the Authority will publish on the Authority's Website:
       1. the text of the proposed direction;
       2. the reasons for the proposed direction; and
       3. a period during which representations on the proposed direction may be made, which will not be less than 28 days.

# Totex Allowance Adjustments

## Baseline Network Risk Output

Introduction

* + 1. This condition sets out the requirements on the licensee in respect of Baseline Network Risk Output and specifies the Baseline Allowed NARM Expenditure associated with that output, which contributed to the calculation of the Totex Allowance.
    2. It also sets out the requirements on the licensee in respect of the NARM Closeout Report.

### Requirement to deliver Baseline Network Risk Output

* + 1. By the end of the Price Control Period, the licensee must deliver its Baseline Network Risk Output either:
       1. in accordance with its Network Asset Risk Workbook, or
       2. through Materially Equivalent Network Risk Outputs.

### Baseline Allowed NARM Expenditure for Baseline Network Risk Output

* + 1. The licensee's Baseline Allowed NARM Expenditure for delivering its Baseline Network Risk Output is set out in Appendix 1.

### Process for Rebasing Baseline Network Risk Output

* + 1. Rebased Baseline Network Risk Output submitted in accordance with Part C of Special Condition 9.2 (Network Asset Risk Metric Methodology) must:
       1. be calculated using the NARM Methodology as approved under [paragraph 9.2.8 of Special Condition 9.2 (Network Asset Risk Metric Methodology);
       2. be representative of the same assumed volume and type of intervention for each NARM Asset Category as assumed in the setting of the Baseline Network Risk Output;
       3. be as Equally Challenging as the Baseline Network Risk Output; and
       4. be in the same format as the Network Asset Risk Workbook.
    2. Where the licensee proposes Rebased Baseline Network Risk Output in accordance with Part C of Special Condition 9.2, the Authority will consider the proposal and by direction either:
       1. approve it;
       2. approve it with adjustments; or
       3. reject it.
    3. Before issuing a direction under paragraph 3.1.6, the Authority will publish on the Authority’s Website:
       1. the text of the proposed direction;
       2. the date on which the Authority intends the proposed direction to come into effect;
       3. the reasons why it proposes to issue the direction; and
       4. a period during which representations may be made on the proposed direction, which will not be less than 28 days.
    4. Any Rebased Baseline Network Risk Output approved by the Authority under paragraph 3.1.7(a) or (b) will supersede the Baseline Network Risk Output for the purpose of this condition.

### Requirement to provide the NARM Closeout Report

* + 1. By 31 October 2026, the licensee must provide to the Authority the NARM Closeout Report, together with detailed supporting evidence, setting out the following:
       1. the licensee’s Outturn Network Risk Outputs;
       2. the costs incurred by the licensee in delivering its Outturn Network Risk Outputs and a breakdown of those costs in the manner specified by the Authority by direction;
       3. details of any Material Non-intervention Risk Changes, including the associated impact on Baseline Network Risk Output or Outturn Network Risk Outputs;
       4. the licensee’s view of delivered cost efficiencies relative to Baseline Allowed NARM Expenditure for schemes or programmes of work assumed in the calculation of its Baseline Network Risk Output, and evidence that those efficiencies have not been offset by higher costs elsewhere; and
       5. justification cases for any portions of over-delivery or under-delivery against Baseline Network Risk Output that the licensee considers to be justified.

Baseline Allowed NARM Expenditure for delivering Baseline Network Risk Output

|  |  |
| --- | --- |
| Relevant Year | Baseline Allowed NARM Expenditure  (£m) |
| 2021/22 |  |
| 2022/23 |  |
| 2023/24 |  |
| 2024/25 |  |
| 2025/26 |  |
| RIIO-2 Total |  |

## Cyber resilience operational technology Re-opener and Price Control Deliverable (CROt)

Introduction

* + 1. The purpose of this condition is to calculate the term CROTt (the Cyber Resilience Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.
    2. The effect of this condition is to:
       1. specify the outputs, delivery dates and associated allowances for the Price Control Deliverable;
       2. require the licensee to submit a Cyber Resilience OT Plan at the start of the Price Control Period;
       3. establish a Re-opener for the licensee and Authority to trigger amendments to the Price Control Deliverable during the Price Control Period; and
       4. provide for an assessment of the Price Control Deliverable including a Use It Or Lose It Adjustment.
    3. This condition also:
       1. explains the process the Authority will follow when directing any changes under paragraphs 3.2.8, 3.2.9, 3.2.13 and 3.2.15; and
       2. requires the licensee to report regularly to the Authority.

### Formula for calculating the Cyber Resilience OT Price Control Deliverable term (CROTt)

* + 1. The value of *CROTt* is derived in accordance with the following formula:

*CROTt = CROAt - CRORt*

where:

|  |  |
| --- | --- |
| *CROAt* | means the sum of allowances in Appendix 1; and |
| *CRORt* | has the value zero unless otherwise directed by the Authority in accordance with Part F. |

### What must the licensee deliver?

* + 1. The licensee must deliver the outputs in accordance with, and by the delivery dates specified in, Appendix 1.

### Requirement to submit a Cyber Resilience OT Plan

* + 1. The licensee must submit to the Authority a Cyber Resilience OT Plan Between 1 April 2021 and 8 April 2021.
    2. The Cyber Resilience OT Plan submitted under paragraph 3.2.6 must:
       1. include statements:
          1. giving details of any proposed activities that the licensee considers would be capable of improving cyber resilience in relation to OT, including measured risk reduction or improved CAF Outcomes on the licensee's network and information systems;
          2. setting out any amendments requested to the outputs, delivery dates or allowances in Appendix 1;
          3. explaining how any amendments requested would improve cyber resilience in relation to OT, including measured risk reduction and improved CAF Outcomes on the licensee's network and information systems; and
          4. explaining the basis of the calculations for any amendments requested to allowances; and
       2. provide detailed supporting evidence including the items specified in the Re-opener Guidance and Application Requirements Document.
    3. The Authority will by direction make any amendments to Appendix 1 as a result of the submission of a Cyber Resilience OT Plan under paragraph 3.2.6.

### Cyber Resilience OT Re-opener

* + 1. The licensee may apply to the Authority for a direction amending the outputs, delivery dates or associated allowances in Appendix 1 where it considers there are:
       1. new activities capable of improving cyber resilience in relation to OT, including measured risk reduction or improved CAF Outcomes on the licensee's network and information systems;
       2. changes to levels of risks or threats relating to cyber resilience in relation to OT, that take the licensee outside of its organisational risk appetite; or
       3. changes to statutory or regulatory requirements relating to cyber resilience in relation to OT.
    2. An application to the Authority under paragraph 3.2.9 must be made Between 25 January 2023 and 31 January 2023, unless the Authority by direction permits applications during specified later periods.
    3. An application under paragraph 3.2.9 must be made in writing and must:
       1. give details of the circumstances referred to in paragraph 3.2.9 (a), (b) or (c) that the licensee considers exist;
       2. set out any amendments requested to the outputs, delivery dates or allowances set out in Appendix 1;
       3. explain how any amendments requested would improve cyber resilience in relation to OT, including measured risk reduction or improved CAF Outcomes on the licensee's network and information systems;
       4. explain the basis of the calculations for any amendments requested to allowances; and
       5. provide detailed supporting evidence as set out in the Re-opener Guidance and Application Requirements Document.
    4. An application under paragraph 3.2.9 must:
       1. relate to circumstances of the type referred to in paragraph 3.2.9 (a), (b) or (c) that have developed since the licensee submitted its Cyber Resilience OT Plan under paragraph 3.2.6;
       2. take account of any allowed expenditure, which can be avoided as a result of the change; and
       3. be confined to costs incurred or expected to be incurred on or after 1 April 2021.

### Authority triggered re-opener

* + 1. The Authority will also consider directing amendments to the outputs, delivery dates or allowances set out in Appendix 1 without an application being made under paragraph 3.2.9, where it considers that:
       1. circumstances of the type referred to in paragraph 3.2.9 (a), (b) or (c) exist; or
       2. circumstances exist that create an unreasonable degree of risk in relation to cyber resilience.
    2. In relation to costs, any amendments directed by the Authority will be confined to costs incurred or expected to be incurred on or after 1 April 2021.

### Assessment of outputs (CRORt)

* + 1. The Authority will, in accordance with the PCD Reporting Requirements and Methodology Document, consider directing a value for CRORt where the licensee has not Fully Delivered an output in Appendix 1.

### Reporting Requirements

* + 1. Unless the Authority otherwise directs, the licensee must submit reports to the Authority on the days, and in relation to the periods, set out in Appendix 2.
    2. A report submitted under paragraph 3.2.16 must be in a form approved by the Authority and include:
       1. a summary of progress against Improvement Plan key milestones;
       2. a summary of developments against the licensee's Price Control Deliverable project plans;
       3. the licensee's assessment of the impact of the progress and developments referred to in sub-paragraphs (a) and (b) on improving cyber resilience in relation to OT, including risk reduction or improved CAF Outcomes;
       4. a description of how the licensee has considered any guidance provided by the Authority;
       5. a summary of updated CAF Outcomes; and
       6. detailed supporting evidence.

### What process will the Authority follow in making a direction?

* + 1. Before making a direction under paragraph 3.2.8, 3.2.9, 3.2.13 or 3.2.15 the Authority will publish on the Authority's Website:
       1. the text of the proposed direction;
       2. the reasons for the proposed direction; and
       3. a period during which representations may be made on the proposed direction, which will not be less than 28 days.
    2. A direction under paragraph 3.2.8, 3.2.9 or 3.2.13 will set out any amendments to Appendix 1.
    3. A direction under paragraph 3.2.15 will set out the value of the CRORt term and the Regulatory Years to which that value relates.

Cyber Resilience OT Price Control Deliverables (£m)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Outputs | Delivery Date | Allowance | | | | |
|  |  | 21/22 | 22/23 | 23/24 | 24/25 | 25/26 |
| Output X |  |  |  |  |  |  |
| Output Y |  |  |  |  |  |  |
| Output Z |  |  |  |  |  |  |

Report submission dates and the associated periods to be reported on

|  |  |
| --- | --- |
| Dates on which reports must be submitted annually from 31 July 2021 to 30 April 2026 | Associated periods to be reported on |
| 31 January | 1 October to 31 December |
| 30 April | 1 January to 31 March |
| 31 July | 1 April to 30 June |
| 31 October | 1 July to 30 September |

## Cyber resilience information technology Re-opener and Price Control Deliverable (CRITt)

Introduction

* + 1. The purpose of this condition is to calculate the term CRITt (the Cyber Resilience Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.
    2. The effect of this condition is to:
       1. specify the outputs, delivery dates and associated allowances for the Price Control Deliverable;
       2. require the licensee to submit a Cyber Resilience IT Plan at the start of the Price Control Period;
       3. establish a Re-opener for the licensee and Authority to trigger amendments to the Price Control Deliverable during the Price Control Period; and
       4. provide for an assessment of the Price Control Deliverable.
    3. This condition also:
       1. explains the process the Authority will follow when directing any changes under paragraphs 3.3.8, 3.3.9, 3.3.13 and 3.3.15; and
       2. requires the licensee to report regularly to the Authority.

### Formula for calculating the Cyber Resilience IT Price Control Deliverable term (CRITt)

* + 1. The value of CRITt is derived in accordance with the following formula:

*CRITt = CRIAt -CRIRt*

where:

|  |  |
| --- | --- |
| CRIAt | means the sum of allowances in Appendix 1; and |
| CRIRt | has the value zero unless otherwise directed by the Authority in accordance with Part F. |

### What must the licensee deliver?

* + 1. The licensee must deliver the outputs in accordance with, and by the delivery dates specified in, Appendix 1.

### Requirement to submit a Cyber Resilience IT Plan

* + 1. The licensee must submit to the Authority a Cyber Resilience IT Plan Between 1 April 2021 and 7 April 2021.
    2. The Cyber Resilience IT Plan submitted under paragraph 3.3.6 must:
       1. include statements:
          1. giving details of any proposed activities that the licensee considers would be capable of improving cyber resilience in relation to IT, including measured risk reduction on the licensee's network and information systems;
          2. setting out any amendments requested to the outputs, delivery dates or allowances in Appendix 1;
          3. explaining how any amendments requested would improve cyber resilience in relation to IT, including measured risk reduction on the licensee's network and information systems; and
          4. explaining the basis of the calculations for any amendments requested to allowances; and
       2. provide detailed supporting evidence, including the items specified in the Re-opener Guidance and Application Requirements Document.
    3. The Authority will make any amendments to Appendix 1 as a result of the submission of a Cyber Resilience IT Plan under paragraph 3.3.6 by direction.

### Cyber Resilience IT Re-opener

* + 1. The licensee may apply to the Authority for a direction amending the outputs, delivery dates or associated allowances in Appendix 1 where it considers there are:
       1. new activities capable of improving cyber resilience in relation to IT, including measured risk reduction in respect to the licensee's network and information systems;
       2. changes to levels of risks or threats relating to cyber resilience in relation to IT, that takes the licensee outside of its organisational risk appetite; or
       3. changes to statutory or regulatory requirements relating to cyber resilience in relation to IT.
    2. The licensee may only apply to the Authority under paragraph 3.3.9 Between 25 January 2023 and 31 January 2023, or during such later periods as the Authority may direct.
    3. An application under paragraph 3.3.9 must be made in writing and must:
       1. give details of the circumstances referred to in paragraph 3.3.9(a), (b) or (c) that the licensee considers exist;
       2. set out any amendments requested to the outputs, delivery dates or allowances set out in Appendix 1;
       3. explain how any amendments requested would improve cyber resilience in relation to IT, including measured risk reduction on the licensee's network and information systems;
       4. explain the basis of the calculations for any amendments requested to allowances; and
       5. include detailed supporting evidence, as set out in the Re-opener Guidance and Application Requirements Document.
    4. An application under paragraph 3.3.9 must:
       1. relate to circumstances of the type referred to in paragraph 3.3.9(a), (b) or (c) that have developed since the licensee submitted its Cyber Resilience IT Plan under paragraph 3.3.7;
       2. take account of any allowed expenditure, which can be avoided as a result of the change; and
       3. be confined to costs incurred or expected to be incurred on or after 1 April 2021.

### Authority triggered re-opener

* + 1. The Authority will also consider directing amendments to the outputs, delivery dates or allowances set out in Appendix 1 without an application being made under paragraph 3.6.9, where it considers that:
       1. circumstances of the type referred to in paragraph 3.6.9 (a), (b) or (c) exist; or
       2. circumstances exist that create an unreasonable degree of risk in relation to cyber resilience.
    2. In relation to costs, any amendments directed by the Authority will be confined to costs incurred or expected to be incurred on or after 1 April 2021.

### Assessment of outputs (CRIRt)

* + 1. The Authority will, in accordance with the PCD Reporting Requirements and Methodology Document, consider directing a value for CRIRt where the licensee has not Fully Delivered an output in Appendix 1.

### Reporting Requirements

* + 1. Unless the Authority otherwise directs, the licensee must submit reports to the Authority on the days, and in relation to the periods, set out in Appendix 2.
    2. A report submitted under paragraph 3.3.16 must be in the form approved by the Authority and include:
       1. a summary of progress against Improvement Plan key milestones;
       2. a summary of developments against the licensee's Price Control Deliverable project plans;
       3. the licensee's assessment of the impact of the progress and developments referred to in sub-paragraphs (a) and (b) on improving cyber resilience in relation to IT, including risk reduction;
       4. a description of how the licensee has considered any guidance provided by the Authority; and
       5. detailed supporting evidence.

### What process will the Authority follow in making a direction?

* + 1. Before making a direction under paragraph 3.3.8, 3.3.9, 3.3.13 or 3.3.15 the Authority will publish on the Authority's Website:
       1. the text of the proposed direction;
       2. the reasons for the proposed direction; and
       3. a period during which representations may be made on the proposed direction, which will not be less than 28 days.
    2. A direction under paragraph 3.3.8, 3.3.9 or 3.3.13 will set out any amendments to Appendix 1.
    3. A direction under paragraph 3.3.15 will set out the value of the CRIRt term and the Regulatory Years to which those values relate.

Cyber Resilience IT Price Control Deliverables Allowance (£m)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Outputs | Delivery Date | 21/22 | 22/23 | 23/24 | 24/25 | 25/26 |
| Output X |  |  |  |  |  |  |
| Output Y |  |  |  |  |  |  |
| Output Z |  |  |  |  |  |  |
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Report submission dates and the associated periods to be reported on

|  |  |
| --- | --- |
| Dates on which reports must be submitted annually from 31 July 2021 to 30 April 2026 | Associated periods to be reported on |
| 31 January | 1 October to 31 December |
| 30 April | 1 January to 31 March |
| 31 July | 1 April to 30 June |
| 31 October | 1 July to 30 September |

## Physical Security Re-opener and Price Control Deliverable (PSUPt)

Introduction

* + 1. The purpose of this condition is to calculate the term PSUPt (the Physical Security Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.
    2. The effect of this condition is to:
       1. specify the outputs, delivery dates and associated allowances for the Price Control Deliverable;
       2. establish a Re-opener for the licensee and Authority to trigger amendments to the Price Control Deliverable during the Price Control Period; and
       3. provide for an assessment of the Price Control Deliverable.
    3. This condition also sets out the process the Authority will follow when directing any changes under paragraph 3.4.6, 3.4.10 or 3.11.

### Formula for calculating the Physical Security Price Control Deliverable term (PSUPt)

* + 1. The value of PSUPt is derived in accordance with the following formula:

PSUPt = PSUPAt – PSUPRt

where:

PSUPAt means the sum of allowances in Appendix 1; and

PSUPRt has the value of zero unless otherwise directed by the Authority in accordance with Part D.

### Physical Security outputs

* + 1. Appendix 1 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

### What is the licensee funded to deliver?

* + 1. The licensee may apply to the Authority for a direction amending the outputs, delivery dates or associated allowances in Appendix 1 where government has mandated changes to the scope of work the licensee is required to carry out under the Physical Security Upgrade Programme.
    2. The licensee may only apply to the Authority under paragraph 3.4.6 Between 25 January and 31 January in each of the years 2023, 2024 and 2025, or during such later periods as the Authority may direct.
    3. An application under paragraph 3.4.6 must be made in writing and include statements:
       1. setting out the changes mandated by the government to the scope of work the licensee is required to carry out under the Physical Security Upgrade Programme to which the application relates;
       2. setting out the government’s Critical National Infrastructure classification for each site to which the application relates;
       3. setting out any amendments to the outputs, delivery dates or allowances set out in Appendix 1;
       4. explaining the basis of the calculations for any amendments requested to allowances; and
       5. providing such detailed supporting evidence, including cost benefit analysis, impact assessments, and engineering justification statements, as is reasonable in the circumstances.
    4. An application under paragraph 3.4.6 must:
       1. relate to changes to the scope of work the licensee is required to carry out under the Physical Security Upgrade Programme, mandated by government on or after 9 December 2019;
       2. take account of any allowed expenditure, which can be avoided as a result of the change; and
       3. be confined to costs incurred or expected to be incurred on or after 1 April 2021.

### Authority triggered Re-opener (PSUPRt)

* + 1. The Authority will also consider directing amendments to the outputs, delivery dates or allowances set out in Appendix 1 where there have been government mandated changes to the scope of work the licensee is required to carry out under the Physical Security Upgrade Programme that:
       1. have been mandated on or after 9 December 2019, and
       2. relate to costs incurred or expected to be incurred on or after 1 April 2021.

### Assessment of the Physical Security Price Control Deliverable (PSUPRt)

* + 1. The Authority will, in accordance with the PCD Reporting Requirements and Methodology Document, consider directing a value for PSUPRt where the licensee has not Fully Delivered an output in Appendix 1.

### What process will the Authority follow in making a direction?

* + 1. Before making a direction under paragraph 3.4.6, 3.4.10 or 3.4.11, the Authority will publish on the Authority's Website:
       1. the text of the proposed direction;
       2. the reasons for the proposed direction; and
       3. a period during which representations may be made on the proposed direction, which will not be less than 28 days.
    2. A direction under paragraph 3.4.6 or 3.4.10 will set out any amendments to Appendix 1.
    3. A direction under paragraph 3.4.11 will set out the value of the PSUPRt term and the Regulatory Years to which those values relate.

Physical Security Price Control Deliverable

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Site | Output | Delivery Date | Allowance | | | | |  |
|  |  |  | 21/22 | 22/23 | 23/24 | 24/25 | 25/26 | Total Allowance (All years) |
| Site X | Install PSUP Solution at site to required Government specification. | 31 Mar 2026 |  |  |  |  |  |  |
| Site Y | Install PSUP Solution at site to required Government specification. | 31 Mar 2026 |  |  |  |  |  |  |
| Site Z | Install PSUP Solution at site to required Government specification. | 31 Mar 2026 |  |  |  |  |  |  |

## Non-operational capex IT Reopener (NOITt)

Introduction

* + 1. The purpose of this condition is to calculate the term NOITt (the Non-operational Capex IT Re-opener term). This contributes to the calculation of the Totex Allowance.
    2. The effect of this condition is to:
       1. require the licensee to submit a Non-operational Capex IT Plan at the start of the Price Control Period; and
       2. establish a Re-opener triggered by either the licensee or the Authority for Non-operational capex IT.
    3. This condition also explains the process the Authority will follow when directing any changes as a result of the Re-opener.

### What costs are within the scope of this Re-opener?

* + 1. The licensee may apply to the Authority for a direction adjusting the value of the NOITt term for any Regulatory Year during the Price Control Period as a result of:
       1. the licensee identifying further evidence in support of Non-operational Capex IT projects that were included in its Business Plan, but in relation to which no allowance has been provided to date;
       2. the licensee identifying activities capable of improving its Non-operational Capex IT; or
       3. any changes to statutory or regulatory requirements relating to Non-operational Capex IT.

### When to make an application

* + 1. The licensee may only apply to the Authority for an adjustment under paragraph 3.5.4:
       1. Between 1 April 2021 and 7 April 2021;
       2. Between 25 January 2023 and 31 January 2023; and
       3. during such other periods as the Authority may direct.

### How to make an application

* + 1. In order to make an application under paragraph 3.5.4 the licensee must submit to the Authority a Non-operational Capex IT Plan in writing and:
       1. give details of the circumstances referred to in paragraph 3.5.4 that the licensee considers exist;
       2. explain how the adjustment requested would improve its Non-operational Capex IT;
       3. explain the basis of the calculations for the adjustment requested to allowances; and
       4. give details of anticipated business benefits derived from any risk reduction as a result of the proposed activities; and
       5. provide such detailed supporting evidence, as is reasonable in the circumstances, which must include:
          1. Improvement Plans;
          2. a prioritisation programme;
          3. market and industry cost comparison; and
          4. anticipated business benefits derived from any risk reduction as a result of the proposed activities.
    2. An application under paragraph 3.5.4 must:
       1. take account of any allowed expenditure, which can be avoided as a result of the adjustment; and
       2. be confined to costs incurred or expected to be incurred on or after 1 April 2021.

### Authority triggered re-opener

* + 1. The Authority will also consider directing an adjustment to the value of the NOITt term without an application being made under paragraph 3.5.4 where it considers that:
       1. circumstances of the type referred to in paragraph 3.5.4 exist; and
       2. costs were incurred, or will be incurred, on or after 1 April 2021.

### What process will the Authority follow in making a direction?

* + 1. Before making a direction under paragraph 3.5.4 or 3.5.8, the Authority will publish on the Authority's Website:
       1. the text of the proposed direction;
       2. the reasons for the proposed direction; and
       3. a period during which representations may be made on the proposed direction, which will not be less than 28 days.
    2. The direction will set out any adjustments to the value of the NOITt term and the Regulatory Years to which those adjustments relate.

## Net Zero Re-opener (NZt)

### Introduction

* + 1. The purpose of this condition is to calculate the term NZt (the Net Zero term). This contributes to the calculation of the Totex Allowance.
    2. The effect of this condition is to establish a Re-opener for the Authority to trigger amendments to the value of NZt or the outputs set out in the special conditions of this licence.
    3. This condition also explains the process the Authority will follow when directing any changes as a result of the Re-opener.

### What is the scope of this Re-opener?

* + 1. The Authority will consider directing an adjustment to the value of the NZt term or the outputs set out in in the special conditions of this licence where in its opinion:
       1. a Net Zero Development has occurred or is expected to occur;
       2. the Net Zero Development has caused or is expected to cause the cost of Licensed Activity to increase or decrease during the Price Control Period;
       3. the effect of the Net Zero Development on the cost of Licensed Activity is not otherwise provided for in this licence;
       4. the effect of the Net Zero Development has not already been assessed under another Re-opener; and
       5. the effect, or estimated effect, of the Net Zero Development on the cost of Licensed Activity exceeds the materiality threshold set out in Appendix 1.

### What process will the Authority follow in making a direction?

* + 1. Before making a direction under paragraph 3.6.4 the Authority will publish on the Authority's Website:
       1. the text of the proposed direction;
       2. the reasons for the proposed direction; and
       3. a period during which representations may be made on the proposed direction, which will not be less than 28 days.
    2. The direction will set out:
       1. any adjustments to the value of the NZt term and the Regulatory Years to which those adjustments relate; and
       2. any amendments to the outputs in the special conditions of this licence.

Materiality threshold for Net Zero Re-opener

|  |  |
| --- | --- |
| Licensee | Materiality threshold |
| [Licensee] | [1% of annual average base revenues] |
|  |  |
|  |  |

## Coordinated Adjustment Mechanism Re-opener (CAMt)

Introduction

* + 1. The purpose of this condition is to calculate the term CAMt (the Coordinated Adjustment Mechanism term). This contributes to the calculation of the Totex Allowance.
    2. The effect of this condition is to establish a Re-opener triggered by the licensee where a more cost-effective opportunity has been identified to reallocate responsibility for, and revenue associated with, a CAM Activity to or from a Partner Licensee.
    3. This condition also explains the process the Authority will follow when directing any changes as a result of the Re-opener.

### What costs are within scope of this Re-opener?

* + 1. The licensee may apply to the Authority for a direction adjusting the value of the CAMt term and the outputs, delivery dates and allowances within [the relevant outputs condition] for any Regulatory Year during the Price Control Period as a result of reaching agreement to reallocate responsibility and associated revenue for a CAM Activity to or from a Partner Licensee.

### When to make an application

* + 1. The licensee may only apply to the Authority for an adjustment under paragraph 3.7.4:
       1. Between 23 May 2022 and 29 May 2022;
       2. Between 20 May 2024 and 26 May 2024; and
       3. during such other periods as the Authority may direct.

### How to make an application

* + 1. An application under paragraph 3.7.4 must be made in writing to the Authority and:
       1. give a description of the engagement between the licensee and the Partner Licensee which has led to the application;
       2. explain whether the licensee is applying to have the CAM Activity reallocated to them, or from them to a Partner Licensee;
       3. explain why the original allocation of the CAM Activity is no longer the most cost-effective, and why the reallocation is more cost-effective;
       4. give a description of the CAM Activity and associated revenue that the licensee is requesting to reallocate;
       5. set out any amendments requested to the outputs, delivery dates or allowances in [the relevant outputs condition] of this licence and that of the Partner Licensee;
       6. set out the adjustments to the value of the CAMt term for both the licensee and the Partner Licensee that the licensee is requesting and the Regulatory Years to which those adjustments relate;
       7. explain the basis of the calculation for the proposed adjustments to the value of the licensee and the Partner Licensee's CAMt terms or other allowances;
       8. provide such detailed supporting evidence including cost benefit analysis, impact assessments, risk mitigation, and engineering justification statements as is reasonable in the circumstances; and
       9. provide a copy of the agreement between the licensee and the Partner Licensee to transfer responsibility for and associated revenue of a CAM Activity, including assurance from the licensee and the Partner Licensee.
    2. An application under paragraph 3.7.4 must:
       1. take account of any allowed expenditure by both the licensee and the Partner Licensee, which can be avoided as a result of the change; and
       2. be confined to costs incurred or expected to be incurred on or after 1 April 2021.

### What process will the Authority follow in making a direction?

* + 1. Before making a direction under 3.7.4 the Authority will publish on the Authority's Website:
       1. the text of the proposed direction;
       2. the reasons for the proposed direction; and
       3. a period during which representations may be made on the proposed direction, which will not be less than 28 days.
    2. The direction will set out:
       1. any adjustments to the value of the CAMt terms in the special conditions of this licence and those of the Partner Licensee;
       2. the Regulatory Years to which those adjustments relate; and
       3. any amendments to [the relevant outputs condition].

## Generation Related Infrastructure Price Control Deliverable (GRIt)

Introduction

* + 1. The purpose of this condition is to calculate the term GRIt (the Generation Related Infrastructure Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.
    2. This condition specifies the outputs, delivery dates and associated allowances for the Price Control Deliverable.
    3. This condition also explains the process the Authority will follow when assessing the Price Control Deliverable.

### Formula for calculating the Generation Related Infrastructure Price Control Deliverable term (GRIt)

* + 1. The value of GRIt is derived in accordance with the following formula:

GRIt = GRIAt - GRIRt

where:

GRIAt means the sum of allowances set out in Appendix 1; and

GRIRt has the value of zero, unless otherwise directed by the Authority in accordance with Part C.

### What is the licensee funded to deliver?

* + 1. Appendix 1 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

### Assessment of outputs (GRIRt)

* + 1. The Authority will, in accordance with the PCD Reporting Requirements and Methodology Document, consider directing a value for GRIRt where the licensee has not Fully Delivered an output in Appendix 1.

### What process will the Authority follow in making a direction?

* + 1. Before making a direction under paragraph 6, the Authority will publish on the Authority's Website:
       1. the text of the proposed direction;
       2. the reasons for the proposed direction; and
       3. a period during which representations may be made on the proposed direction, which will not be less than 28 days.
    2. The direction will set out the value of the GRIRt term and the Regulatory Years to which those values relate.

Generation Related Infrastructure Price Control Deliverable Allowance [NGET]

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Scheme Name | Output | Delivery Date | 21/22 | 22/23 | 23/24 | 24/25 | 25/26 | All years |
| [REDACTED] |  |  |  |  |  |  |  |  |
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Generation Related Infrastructure Price Control Deliverable Allowance [SHET]

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Scheme Name | Output | Delivery Date | 21/22 | 22/23 | 23/24 | 24/25 | 25/26 | All years |
| [REDACTED] |  |  |  |  |  |  |  |  |
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Generation Related Infrastructure Price Control Deliverable Allowance [SPT]

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Scheme Name | Output | Delivery Date | 21/22 | 22/23 | 23/24 | 24/25 | 25/26 | All years |
| [REDACTED] |  |  |  |  |  |  |  |  |
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## Shared Schemes Price Control Deliverable (SSt)

Introduction

* + 1. The purpose of this condition is to calculate the term SSt (the Shared Schemes Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.
    2. This condition specifies the outputs, delivery dates and associated allowances for the Shared Schemes Price Control Deliverable.
    3. This condition also explains the process the Authority will follow when assessing the Price Control Deliverable.

### Formula for calculating the Shared Schemes Price Control Deliverable term (SSt)

* + 1. The value of SSt is derived in accordance with the following formula:

SSt = SSAt - SSRt

where:

SSAt means the sum of allowances in Appendix 1; and

SSRt has the value zero unless otherwise directed by the Authority in accordance with Part C.

### What is the licensee funded to deliver?

* + 1. Appendix 1 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

### Assessment of outputs (SSRt)

* + 1. The Authority will, in accordance with the PCD Reporting Requirements and Methodology Document, consider directing a value for SSRt where the licensee has not Fully Delivered an output in Appendix 1.

### What process will the Authority follow in making a direction?

* + 1. Before making a direction under paragraph 3.9.6 the Authority will publish on the Authority's Website:
       1. the text of the proposed direction;
       2. the reasons for the proposed direction; and
       3. a period during which representations may be made on the proposed direction, which will not be less than 28 days.
    2. The direction will set out the value of the SSRt term and the Regulatory Years to which those values relate.

Shared Schemes Price Control Deliverable [SHET PCDs]

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Scheme Name | Output | Delivery Date | 21/22 | 22/23 | 23/24 | 24/25 | 25/26 | All years |
| [REDACTED] |  |  |  |  |  |  |  |  |
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Shared Schemes Price Control Deliverable Allowance [SPT]

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Scheme Name | Output | Delivery Date | Allowance | | | | | All years |
| 21/22 | 22/23 | 23/24 | 24/25 | 25/26 |
| [REDACTED] |  |  |  |  |  |  |  |  |
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## Wider Works Price Control Deliverable (WWt)

Introduction

* + 1. The purpose of this condition is to calculate the term WWt (the Wider Works Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.
    2. This condition specifies the outputs, delivery dates and associated allowances for the Price Control Deliverable.
    3. This condition also explains the process the Authority will follow when assessing the Price Control Deliverable.

### Formula for calculating the Wider Works Price Control Deliverable term (WWt)

* + 1. The value of WWt is derived in accordance with the following formula:

WWt = WWAt - WWRt

where:

WWAt means the sum of allowances in Appendix 1; and

WWRt has the value of zero, unless otherwise directed by the Authority in accordance with Part C.

### What is the licensee funded to deliver?

* + 1. Appendix 1 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

### Assessment of outputs (WWRt)

* + 1. The Authority will, in accordance with the PCD Reporting Requirements and Methodology Document, consider directing a value for WWRt where the licensee has not Fully Delivered an output in Appendix 1.

### What process will the Authority follow in making a direction?

* + 1. Before making a direction under paragraph 3.10.6, the Authority will publish on the Authority's Website:
       1. the text of the proposed direction;
       2. the reasons for the proposed direction; and
       3. a period during which representations may be made on the proposed direction, which will not be less than 28 days.
    2. The direction will set out the value of the WWRt term and the Regulatory Years to which those values relate.

Wider Works Price Control Deliverable [NGET]

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Scheme Name | Output | Delivery Date | Allowance | | | | |  |
| [REDACTED] |  |  | 21/22 | 22/23 | 23/24 | 24/25 | 25/26 | All years |

Wider Works Price Control Deliverable[SHET PCDs]

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Scheme Name | Output | Delivery Date | Allowance | | | | |  |
|  |  |  | 21/22 | 22/23 | 23/24 | 24/25 | 25/26 | All years |
| [REDACTED] |  |  |  |  |  |  |  |  |

Wider Works Price Control Deliverable [SPT PCDs]

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Scheme Name | Output | Delivery Date | Allowance | | | | |  |
|  |  |  | 21/22 | 22/23 | 23/24 | 24/25 | 25/26 | All years |
| [REDACTED] |  |  |  |  |  |  |  |  |
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## Demand Schemes Price Control Deliverable (DSIt)

Introduction

* + 1. The purpose of this condition is to calculate the term DSIt (the Demand Schemes Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.
    2. This condition specifies the outputs, delivery dates and associated allowances for the Price Control Deliverable.
    3. This condition also explains the process the Authority will follow when assessing the Price Control Deliverable.

### Formula for calculating the Demand Related Infrastructure Price Control Deliverable term (DSIt)

* + 1. The value of DSIt is derived in accordance with the following formula:

DSIt = DSIAt - DSIRt

where:

DSIAt means the sum of allowances in Appendix 1; and

DSIRt has the value of zero, unless otherwise directed by the Authority in accordance with Part C.

### What is the licensee funded to deliver?

* + 1. Appendix 1 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

### Assessment of outputs (DSIRt)

* + 1. The Authority will, in accordance with the PCD Reporting Requirements and Methodology Document, consider directing a value for DSIRt where the licensee has not Fully Delivered an output in Appendix 1.

### What process will the Authority follow in making a direction?

* + 1. Before making a direction under paragraph 3.11.6, the Authority will publish on the Authority's Website:
       1. the text of the proposed direction;
       2. the reasons for the proposed direction; and
       3. a period during which representations may be made on the proposed direction, which will not be less than 28 days.
    2. The direction will set out the value of the DSIRt term and the Regulatory Years to which those values relate.

Demand Related Infrastructure Price Control Deliverable [NGET]

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Scheme Name | Output | Delivery Date | Allowance | | | | |  |
|  |  |  | 21/22 | 22/23 | 23/24 | 24/25 | 25/26 | All years |
| [REDACTED] |  |  |  |  |  |  |  |  |
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Demand Related Infrastructure Price Control Deliverable [SPT]

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Scheme Name | Output | Delivery Date | Allowance | | | | |  |
|  |  |  | 21/22 | 22/23 | 23/24 | 24/25 | 25/26 | All years |
| [REDACTED] |  |  |  |  |  |  |  |  |
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## Resilience and Operability Price Control Deliverable (ROt)

Introduction

* + 1. The purpose of this condition is to calculate the term ROt (the Resilience and Operability Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.
    2. This condition specifies the outputs, delivery dates and associated allowances for the Price Control Deliverable.
    3. This condition also explains the process the Authority will follow when assessing the Price Control Deliverable.

### Formula for calculating the Resilience and Operability Proposals Price Control Deliverable term (ROt)

* + 1. The value of ROt is derived in accordance with the following formula:

ROt = ROAt - RORt

where:

ROAt means the sum of allowances in Appendix 1; and

RORt has the value zero unless otherwise directed by the Authority in accordance with Part C.

### What is the licensee funded to deliver?

* + 1. Appendix 1 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

### Assessment of outputs (RORt)

* + 1. The Authority will, in accordance with the PCD Reporting Requirements and Methodology Document, consider directing a value for RORt where the licensee has not Fully Delivered an output in Appendix 1.

### What process will the Authority follow in making a direction?

* + 1. Before making a direction under paragraph 3.12.6, the Authority will publish on the Authority's Website:
       1. the text of the proposed direction;
       2. the reasons for the proposed direction; and
       3. a period during which representations may be made on the proposed direction, which will not be less than 28 days.
    2. The direction will set out the value of the RORt term and the Regulatory Years to which those values relate.

Resilience and Operability Price Control Deliverable [SHET]

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Scheme Name | Output | Delivery Date | Allowance | | | | |  |
|  |  |  | 21/22 | 22/23 | 23/24 | 24/25 | 25/26 | All years |
| [REDACTED] |  |  |  |  |  |  |  |  |
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Resilience and Operability Price Control Deliverable [SPT]

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Scheme Name | Output | Delivery Date | Allowance | | | | |  |
|  |  |  | 21/22 | 22/23 | 23/24 | 24/25 | 25/26 | All years |
| [REDACTED] |  |  |  |  |  |  |  |  |
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## Visual Impact Mitigation Re-opener and Price Control Deliverable

Introduction

* + 1. The purpose of this condition is to calculate the term VIMEt (the Visual Impact Mitigation Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.
    2. This condition also provides for the calculation of the term NTMP (the Non-Technical Mitigation Projects pass-through term). This contributes to the calculation of PTt (the allowed pass-through term), which feeds into Calculated Revenue in Special Condition 2.1 (Revenue Restriction).
    3. The effect of this condition is to:
       1. require the licensee to update its Mitigating Pre-existing Infrastructure Policy;
       2. specify the outputs, delivery dates and associated allowances for the Price Control Deliverable;
       3. establish a Re-opener for the licensee to trigger amendments to the Price Control Deliverable;
       4. provide for an assessment of the Price Control Deliverable;
       5. specify the RIIO-T1 Visual Impact Mitigation projects that the Authority has approved and that the licensee will deliver in RIIO-T2; and
       6. ensure that the licensee's Allowed Revenue reflects that the costs of Non-Technical Mitigation Projects can be passed through to customers.

### Mitigating Pre-existing Infrastructure Policy

* + 1. The licensee must update its Mitigating Pre-existing Infrastructure Policy for the RIIO-T2 price control before making an application under Part B or providing information to the Authority to decide on NTMP Values under Part D.
    2. The Mitigating Pre-existing Infrastructure Policy must include:
       1. the licensee’s objectives for delivering Visual Impact Mitigation Price Control Deliverables and Non-Technical Mitigation Projects, including how these have been informed by the licensee’s statutory duties and stakeholders’ views;
       2. details of how the licensee will work with other licensees, relevant national and statutory bodies, and other interested stakeholders to maximise the benefits to consumers of Visual Impact Mitigation Price Control Deliverables and Non-Technical Mitigation Projects during RIIO-ET2;
       3. a proposed methodology to identify opportunities for ensuring best value for Visual Impact Mitigation Price Control Deliverables and Non-Technical Mitigation Projects on the National Electricity Transmission System;
       4. proposed criteria to evaluate and prioritise Visual Impact Mitigation Price Control Deliverables and Non-Technical Mitigation Projects including visual amenity benefits, value for money, and other environmental impacts;
       5. a description of the potential measures by which the licensee could deliver Visual Impact Mitigation Price Control Deliverables and Non-Technical Mitigation Projects;
       6. a description of the licensee’s governance processes for funding, and monitoring the delivery of, Non-Technical Mitigation Projects, as well as providing progress updates to stakeholders; and
       7. an explanation of how the licensee will review and revise the Mitigating Pre-existing Infrastructure Policy so that it remains at all times consistent with industry best practice.
    3. The licensee must use its best endeavours to apply the Mitigating Pre-existing Infrastructure Policy.
    4. Before revising the Mitigating Pre-existing Infrastructure Policy, the licensee must submit a copy of the proposed revisions to the Authority.
    5. The Authority will either:
       1. approve the proposed revisions;
       2. reject the proposed revisions; or
       3. reject the proposed revisions and give recommendations as to alternative revisions that it considers should be made.

### Visual Impact Mitigation Re-opener

* + 1. The licensee may apply to the Authority for a direction adding a new Visual Impact Mitigation Price Control Deliverable and associated allowance to Appendix 1.
    2. The licensee may only apply to the Authority under paragraph 3.13.9 on or before 30 June 2025, or by such later deadline as the Authority may direct.
    3. An application under paragraph 3.13.9 must be made in writing and:
       1. set out the amendments sought to Appendix 1;
       2. describe the proposed Visual Impact Mitigation Price Control Deliverable and the estimated benefits it will deliver in relation to the mitigation of impacts of Pre-existing Transmission Infrastructure on the visual amenity of a Designated Area;
       3. include detailed supporting evidence that the proposed Visual Impact Mitigation Price Control Deliverable has been identified and prioritised in accordance with the licensee’s Mitigating Pre-existing Infrastructure Policy;
       4. include forecast costs for delivering the Visual Impact Mitigation Price Control Deliverable, with an expenditure profile for all Regulatory Years of delivery, and a breakdown of the total costs including incurred and forecast costs of preliminary development work to decide the feasibility of a Visual Impact Mitigation Price Control Deliverable;
       5. include analysis of any relevant issues in relation to the proposed Visual Impact Mitigation Price Control Deliverable that might reduce the feasibility of delivering the proposed Visual Impact Mitigation Price Control Deliverable or significantly increase the costs;
       6. include proposed timescales for delivery of the proposed Visual Impact Mitigation Price Control Deliverable; and
       7. include such further detailed supporting evidence as is reasonable in the circumstances.

### Authority review

* + 1. The Authority will, in accordance with the PCD Reporting Requirements and Methodology Document, amend the allowances in Appendix 1 to:
       1. allow the efficient costs of Visual Impact Mitigation Price Control Deliverable to be recovered; or
       2. reflect the fact that the licensee has not Fully Delivered a Visual Impact Mitigation Price Control Deliverable.

### What process will the Authority follow in making a direction?

* + 1. Before making a direction under paragraph 3.13.9 or 3.13.12 the Authority will publish on the Authority's Website:
       1. the text of the proposed direction;
       2. the reasons for the proposed direction; and
       3. a period during which representations may be made on the proposed direction, which will not be less than 28 days.
    2. A direction will set out any amendments to Appendix 1.
    3. The total value of the Authority’s decisions on the sum of VIME Values for all licensees in the price control period will not exceed the amount set out in Appendix 2.

### Amending NTMP Values

* + 1. The NTMP Value for the licensee for a particular Regulatory Year is the total amount of the licensee’s Allowed Expenditure for Non-Technical Mitigation Projects for that Regulatory Year.
    2. The Authority will decide on NTMP Values in accordance with the following formula:

where:

|  |  |
| --- | --- |
| NTPC | means the total value of the licensee’s expenditure cap for Non-Technical Mitigation Projects for the Price Control Period set out in Appendix 3; and |
| NTPAEt | means the licensee's expenditure on Non-Technical Mitigation Projects. |

* + 1. The Authority’s decision on NTMP Values in paragraph 3.13.17 will not exceed the expenditure cap for Non-Technical Mitigation Projects for the Price Control Period, specified in Appendix 2.
    2. The Authority may amend NTMP Values in accordance with paragraph 3.13.18 where the value of NTPAE for a particular Regulatory Year is amended by the licensee.

Visual Impact Mitigation Price Control Deliverable Allowance

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Designated Area | Output | Delivery Date | Allowance | | | | |  |
|  |  |  | 21/22 | 22/23 | 23/24 | 24/25 | 25/26 | All years |

|  |  |  |
| --- | --- | --- |
| Description | Designated Area | Delivery date |
|  |  |  |
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Maximum value (expressed in £m) of the sum of VIME Values for all licensees in the price control period

|  |
| --- |
|  |

Value for the licensee’s NTPC term (expressed in £m)

(see Part D )

|  |  |
| --- | --- |
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## Transmission Investment for Renewable Generation

* + 1. *[This condition is not being included as part of this consultation.]*

## Operational Transport Carbon Reduction Price Control Deliverable (OTCt)

Introduction

* + 1. The purpose of this condition is to calculate the term OTCt (the Operational Transport Carbon Reduction Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.
    2. This condition specifies the outputs, delivery dates and associated allowances for the Price Control Deliverable.
    3. This condition also explains the process the Authority will follow when assessing the Price Control Deliverable.

### Formula for calculating the Operational Transport Carbon Reduction Price Control Deliverable term (OTCt)

* + 1. The value of OTC1t is derived in accordance with the following formula:

OTCt = OTCAt - OTCRt

where:

OTCAt means the sum of allowances in Appendix 1; and

OTCRt has the value of zero unless otherwise directed by the Authority in accordance with Part D.

### What is the licensee funded to deliver?

* + 1. Appendix 1 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

### Assessment of outputs (OTCRt)

* + 1. The Authority will, in accordance with the PCD Reporting Requirements and Methodology Document, consider directing a value for OTCRt where the licensee has not Fully Delivered an output in Appendix 1.

### What process will the Authority follow in making a direction?

* + 1. Before making a direction under paragraph 3.15.6, the Authority will publish on the Authority's Website:
       1. the text of the proposed direction;
       2. the reasons for the proposed direction; and
       3. a period during which representations may be made on the proposed direction, which will not be less than 28 days.

The direction will set out any amendments to Appendix 1. Operational Transport Carbon Reduction Price Control Deliverable Allowance

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Licensee | Output | Delivery Date | Allowance | | | | |  |
|  |  |  | 21/22 | 22/23 | 23/24 | 24/25 | 25/26 | Total Allowance (All years) |
| National Grid Electricity Transmission | Purchase 499 small panel van electric vehicles (unit cost £27,125) | 31/03/26 |  |  |  |  |  | £13.535m |
| National Grid Electricity Transmission | Install 1,430 standard and 40 DC charge-points across 234 sites (unit cost £6,500) | 31/03/26 |  |  |  |  |  | £9.30m |

## Net Zero Fund Price Control Deliverable (NZFt)

Introduction

* + 1. The purpose of this condition is to calculate the term NZFt (the Net Zero Fund Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.
    2. The effect of this condition is to:
       1. specify the associated allowance for the Net Zero Fund Price Control Deliverable;
       2. require the licensee to publish details on the projects it decides to fund under the Net Zero Fund;
       3. require the licensee to submit Net Zero Fund evaluation reports; and
       4. provide for an assessment of the Net Zero Fund Price Control Deliverable including a Use It Or Lose It Adjustment.
    3. This condition also explains the process the Authority will follow when assessing the Price Control Deliverable.

### Formula for calculating the Net Zero Fund Price Control Deliverable term (NZFt)

* + 1. The value of NZFt is derived in accordance with the following formula:

NZFt = NZFAt - NZFRt

where:

|  |  |
| --- | --- |
| NZFAt | means the Net Zero Fund allowance calculated in accordance with Part B; and |
| NZFRt | has the value of zero unless otherwise directed by the Authority in accordance with Part E. |

### The Net Zero Fund allowance (NZFAt)

* + 1. The value of NZFAt is the total amount of the licensee’s expenditure for Net Zero projects.
    2. The value of NZFAt for Regulatory Year t will be set in accordance with the following formula:

where:

|  |  |
| --- | --- |
| NZFC | means the licensee’s expenditure cap for the Net Zero Fund which is equal to £20m; and |
| NZFEt | means the amount of the licensee's expenditure on Net Zero Fund projects. |

* + 1. The value of NZFAt in paragraph 3.16.6 will not exceed the expenditure cap for the Net Zero Fund for the RIIO-T2 price control.

### Net Zero Fund projects

* + 1. The licensee must publish on its website details about the Net Zero Fund projects that it decides to take forward.
    2. The publication under paragraph 3.16.8 must:
       1. be no later than the end of the period of [two] months beginning with the date of the decision by the licensee to proceed with a Net Zero Fund project; and
       2. include statements setting out:
          1. the project name;
          2. the project partners;
          3. the project's objectives and expected benefits;
          4. the project cost; and
          5. the project delivery plan, including key milestones and completion dates.

### Requirement to submit a Net Zero Fund evaluation report

* + 1. The licensee must submit to the Authority:
       1. an interim Net Zero Fund evaluation report by [31 March 2025]; and
       2. a final Net Zero Fund evaluation report by [30 June 2026].
    2. The evaluation reports must include:
       1. for each Net Zero Fund project:
          1. a breakdown of project expenditure;
          2. a summary of the progress made against its delivery plan; and
          3. its impact relative to its objectives and expected benefits; and
       2. an assessment of the overall impact of the Net Zero Fund, including:
          1. a cost benefit analysis; and
          2. a summary of key learnings the licensee has identified for supporting vulnerable communities in the Net Zero transition.

### Assessment of the Net Zero Fund Price Control Deliverable (NZFRt)

* + 1. The Authority will assess the Net Zero Fund Price Control Deliverable after the Price Control Period.
    2. The Authority will direct a value for of NZFRt, following the assessment in 3.16.12, where it considers that:
       1. the licensee has not Fully Delivered one or more Net Zero Fund projects; or
       2. a Use It Or Lose It Adjustment is appropriate.

### What process will the Authority follow in making a direction?

* + 1. Before making a direction under paragraph 3.16.13, the Authority will publish on the Authority's Website:
       1. the text of the proposed direction;
       2. the reasons for the proposed direction; and
       3. a period during which representations may be made on the proposed direction, which will not be less than 28 days.
    2. The direction will set out the value of the NZFRt term and the Regulatory Years to which those adjustments relate.

## Net Zero Carbon Capital Construction Price Control Deliverable (NZ3Ct)

Introduction

* + 1. The purpose of this condition is to calculate the term NZ3Ct (the Net Zero Carbon Capital Construction Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.
    2. The effect of this condition is to:
       1. specify the associated allowance for the Net Zero Carbon Capital Construction Price Control Deliverable;
       2. require the licensee to submit a Net Zero Capital Construction evaluation report at the end of the Price Control Period; and
       3. provide for a Use It Or Lose It Adjustment
    3. This condition also explains the process the Authority will follow when assessing the Price Control Deliverable.

### Formula for calculating the Net Zero Carbon Capital Construction Price Control Deliverable term (NZ3Ct)

* + 1. The value of NZ3Ct is derived in accordance with the following formula:

NZ3Ct = NZ3CAt – NZ3CRt

where:

|  |  |
| --- | --- |
| NZ3CAt | means the sum of allowances in Appendix 1; and |
| NZ3CRt | has the value of zero unless otherwise directed by the Authority in accordance with Part D. |

### Requirement to submit a Net Zero Carbon Capital Construction evaluation report

* + 1. The licensee must submit to the Authority a Net Zero Carbon Capital Construction evaluation report by 31 July 2026.
    2. The report must include:
       1. a list and description of the projects undertaken by the licensee to offset carbon emissions created by Capital Construction;
       2. the cost of each project;
       3. any evidence that the costs were efficiently incurred; and
       4. the emissions each project has offset in terms of T/CO2e.

### Assessment of the Net Zero Carbon Capital Construction evaluation report

* + 1. The Authority will direct an amendment to the value of NZ3CRt where it considers that a Use It Or Lose It Adjustment is appropriate.

### Authority's direction process

* + 1. Before making a direction under paragraph 3.17.7, the Authority will publish on the Authority's Website:
       1. the text of the proposed direction;
       2. the reasons for the proposed direction; and
       3. a period during which representations may be made on the proposed direction, which will not be less than 28 days.
    2. The direction will set out the value of the NZ3CRt term and the Regulatory Years to which those adjustments relate.

NGET Net Zero Carbon Capital Construction allowance (£m, 2018/19 prices)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Regulatory Year | | | | | |
|  | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | Total |
| NZ3CAt | X | X | X | 1.25 | 1.25 | 2.5 |

## Generation Connection volume driver (GCEt)

Introduction

* + 1. The purpose of this condition is to provide for the calculation of the term GCEt (the Generation Connections volume driver). This contributes to the calculation of the Totex Allowance.
    2. The effect of this condition is to adjust revenue to fund the licensee for Delivered Generation Connection Capacity, overhead lines and underground cables, relative to baseline allowances.

### Formula for calculating the Generation Connections volume driver (GCEt)

* + 1. The value of GCEt is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
| VGCEt, | is derived in accordance with paragraph 3.18.4; and |
| OEt | means the sum of:  additional closely associated indirect costs, calculated as a [X.X%] uplift to CAIs for a 1% capex uplift, and  additional network operating costs, calculated as [X.X%] of the capital expenditure resulting from the project delivery. |

* + 1. The value of VGCEt, is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
| GUC | means the Generation Connection Capacity unit cost allowance as set out in Appendix 1; |
| AGOt | means the actual Generation Connection Capacity as at 31 March in Regulatory Year t; |
| BGOt | means the baseline Generation Connection Capacity as set out in Appendix 2; |
| OHLGUC | means the overhead line unit cost allowance as set out in Appendix 1; |
| ALOHLt | means the actual length of overhead lines in circuit kilometres commissioned as part of the Generation Connection Capacity delivered; |
| BLOHLt | means the baseline length of overhead lines as set out in Appendix 2; |
| ALCBLt | means the actual length of underground cabling in circuit kilometres commissioned as part of the Generation Connection Capacity delivered; and |
| GUCUC | means the underground cable unit cost allowance as set out in Appendix 1. |

Unit cost allowances for Generation Connection Capacity, overhead lines and underground cables

|  |  |
| --- | --- |
| GUC (£/MW) | XX |
| OHLGUC (£/circuit km) | XX |
| GUCUC (£/circuit km) | XX |

Baseline Generation Connection Capacity, length of overhead lines

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Regulatory Year | | | | |
| 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
| BGO (MW) |  |  |  |  |  |
| BLOHL (circuit km) |  |  |  |  |  |

## Demand Related Infrastructure volume driver (DRIt)

Introduction

* + 1. The purpose of this condition is to provide for the calculation of the term DRIt (the Demand Connections volume driver). This contributes to the calculation of the Totex Allowance.
    2. The effect of this condition is to adjust revenue to fund the licensee for Delivered Demand Connection Capacity, overhead lines and underground cables relative to baseline allowances.

### Formula for calculating the Demand Connections volume driver

* + 1. The value of DRIt is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
| VDRIt, | is derived in accordance with paragraph 3.23.4; and |
| OEt | means the sum of:  additional closely associated indirect costs, calculated as a [X.X%] uplift to CAIs for a 1% capex uplift, and  additional network operating costs, calculated as [X.X%] of the capital expenditure resulting from the project delivery. |

* + 1. The value of VDRIt, is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
| *DUC* | means the Demand Connection Capacity unit cost allowance as set out in Appendix 1; |
| *ADCt* | means the actual Demand Connection Capacity delivered as at 31 March of Regulatory Year t; |
| *BDCt* | means the baseline Demand Connection Capacity as set out in Appendix 2; |
| *OHLDUC* | means the overhead line unit cost allowance as set out in Appendix 1; |
| *ALDOHLt* | means the actual length of overhead lines in circuit kilometres commissioned as part of the Demand Connection Capacity delivered; |
| *BLDOHLt* | means the baseline length of overhead lines as set out in Appendix 2; |
| *ALDCBLt* | means the actual length of underground cabling in circuit kilometres commissioned as part of the Demand Connection Capacity delivered and |
| *DUCUC* | means the underground cable unit cost allowance as set out in Appendix 1. |
|  |  |

Unit cost allowances for Demand Connection Capacity, overhead lines and underground cables

|  |  |
| --- | --- |
| DUC (£/MVA) | XX |
| OHDLUC (£/circuit km) | XX |
| DUCUC (£/circuit km) | XX |

Baseline Demand Connection Capacity, length of overhead lines

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Regulatory Year | | | | |
| 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
| BDC (MVA) |  |  |  |  |  |
| BLDOHL (circuit km) |  |  |  |  |  |

## Large Onshore Transmission Investment Re-opener (LOTIt)

Introduction

* + 1. The purpose of this condition is to calculate the term LOTIt (the Large Onshore Transmission Investment Re-opener term). This contributes to the calculation of the Totex Allowance.
    2. The effect of this condition is to establish a Re-opener for the licensee to apply for an adjustment to its allowed expenditure where there is a need for additional investment in the transmission network.

### What costs are within scope of this Re-opener and what are the pre-application requirements?

* + 1. The licensee may, in respect of any LOTI, apply to the Authority for a Project Assessment Direction specifying a LOTI Output, a LOTI Delivery Date and associated allowances in Appendix 1.
    2. Before applying for a Project Assessment Direction, the licensee must:
       1. obtain approval of eligibility to apply as provided for in Part C;
       2. submit an Initial Needs Case to the Authority for consideration as provided for in Part D, unless relieved of this requirement by the Authority by direction; and
       3. obtain the Authority's approval of a Final Needs Case as provided for in Part E.

### LOTI Outputs

* + 1. The licensee must deliver the outputs specified in Appendix 1 by the delivery date specified in Appendix 1.

### Approval of eligibility to apply for a LOTI Output

* + 1. Not less than six months prior to the licensee's intended date for submitting an Initial Needs Case, approval of eligibility to apply must be sought by way of written submission to the Authority, including statements setting out:
       1. why the investment falls within the scope of this Re-opener (i.e. why the investment is a LOTI);
       2. a brief description of the LOTI; and
       3. if the licensee considers that the timings for the assessment of the LOTI should be different to the timings set out in Parts D or E, proposed alternative timings.

### Initial Needs Case

* + 1. If the Authority approves the eligibility of the project, the licensee may submit an Initial Needs Case to the Authority for consideration.
    2. The Initial Needs Case must be submitted:
       1. not less than twelve months prior to the licensee's intended date for issuing its Final Statutory Planning Consultation; or
       2. by such other date as the Authority may direct.

### Final Needs Case

* + 1. If the licensee has submitted an Initial Needs Case to the Authority in respect of which the Authority has published a response, or the Authority has relieved the licensee of the requirement to submit an Initial Needs Case by direction, the licensee may seek the Authority's approval of the Final Needs Case.
    2. Unless the Authority otherwise directs, approval must be sought after the licensee has secured all material planning consents.

### Cost and Output Adjusting Event

* + 1. The licensee may apply to the Authority for a direction adjusting the LOTI Output, the LOTI Delivery Date or associated allowances in Appendix 1 where there has been a Cost and Output Adjusting Event if:
       1. the licensee could not have reasonably foreseen the Event;
       2. the licensee could not have economically and efficiently planned a contingency for the Event;
       3. the Event has caused expenditure to increase or decrease by at least 20% relative to the relevant allowance in Appendix 1, or by at least such other percentage as the Authority may direct (calculated before the application of the Totex Incentive Strength Rate); and
       4. the increase or decrease in expenditure is expected to be efficiently incurred or saved.
    2. Unless the Authority otherwise directs, the licensee must make the application:

(a) as soon as is reasonably practicable after the Cost and Output Adjusting Event has occurred; and

(b) in any event before the end of the period of three months beginning with the end of the Regulatory Year in which the Event occurred.

* + 1. An application under paragraph 3.19.11 must be made in writing and must:
       1. include evidence that a Cost and Output Adjusting Event meeting the requirements set out in paragraph 3.19.11 has occurred;
       2. set out any amendments requested to the LOTI output, the LOTI Delivery Date or associated allowances in Appendix 1;
       3. explain the basis of the calculation for any proposed adjustment to the allowances in Appendix 1, which must be designed to keep, so far as is reasonably practicable, the financial position and performance of the licensee the same as if the Cost and Output Adjusting Event had not occurred;
       4. include a statement from a technical adviser, who is external to and independent from the licensee, whether, considered in the context of the value of the LOTI Output, the proposed adjustments to the LOTI Output, the LOTI Delivery Date or associated allowances fairly reflect the effects of the Cost and Output Adjusting Event; and
       5. include any other relevant detailed supporting evidence.

### What process will the Authority follow in making a direction?

* + 1. Before initiating a Project Assessment Direction, the Authority will assess whether the contents of the proposed Project Assessment Direction are significantly different to the application submitted by the licensee under Part A.
    2. In deciding whether the contents are significantly different, the Authority will have regard to the proposed LOTI Output, the LOTI Delivery Date and associated allowances.
    3. If, having carried out the assessment in paragraph 3.19.14, the Authority considers that the proposed Project Assessment Direction is not significantly different to the application submitted by the licensee under Part A, it will proceed with making a Project Assessment Direction in accordance with paragraphs 3.19.17 and 3.19.18. Otherwise, any amendments to the special conditions of this licence will be made under section 11A of the Act.
    4. Before making a Project Assessment Direction or a direction under paragraph 10, the Authority will publish on the Authority's Website:
       1. the text of the proposed direction;
       2. the reasons for the proposed direction; and
       3. a period during which representations may be made on the proposed direction, which will not be less than 28 days.
    5. A Project Assessment Direction will set out:
       1. any amendments to Appendix 1; and
       2. any project-specific Cost and Output Adjusting Events.
    6. A direction under paragraph 3.19.11 will set out:
       1. any amendments to Appendix 1, which will include any relevant Opex Uplift; and
       2. the Regulatory Years to which those adjustments relate.

### LOTI Guidance

* + 1. The licensee must comply with LOTI Guidance when making an application under Part A or Part F, seeking approval under Part C or Part E or making a submission under Part D.
    2. The Authority will issue and amend LOTI Guidance by direction.
    3. The Authority will publish LOTI Guidance on the Authority's Website.
    4. The LOTI Guidance will make provision about the detailed requirements for Parts A, C, D, E and F.
    5. Before directing that LOTI Guidance comes into effect the Authority will publish on the Authority's Website:
       1. the text of the proposed LOTI Guidance; and
       2. the date on which the Authority intends the LOTI Guidance to come into effect.
    6. Before directing an amendment to the LOTI Guidance, the Authority will publish on the Authority's Website:
       1. the text of the amended LOTI Guidance;
       2. the date on which the Authority intends the amended LOTI Guidance to come into effect;
       3. the reasons for the amendments to the LOTI Guidance; and
       4. a period during which representations may be made on the amendments to the LOTI Guidance, which will not be less than 28 days.

### Appendix 1

**LOTI Outputs and allowances (£m, 2018/19 prices)**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | Relevant Year | | | | |
| LOTI output | Delivery Date | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
| [to contain project name and technical description of the output] |  |  |  |  |  |  |
| [to contain project name and technical description of the output] |  |  |  |  |  |  |
| [to contain project name and technical description of the output] |  |  |  |  |  |  |
| [to contain project name and technical description of the output] |  |  |  |  |  |  |

## Medium sized investment projects Re-opener (MSIPt)

Introduction

* + 1. The purpose of this condition is to calculate the term MSIPt (the Medium Sized Investment Projects term). This contributes to the calculation of the Totex Allowance.
    2. The effect of this condition is to establish a Re-opener triggered by the licensee for Medium Sized Investment Project costs that result in material changes to the costs of Licensed Activity.
    3. This condition also explains the process the Authority will follow when directing any changes as a result of the Re-opener.

### What costs are within scope of this Re-opener?

* + 1. The licensee may apply to the Authority for a direction amending the outputs, delivery dates or allowances in Appendix 1 for any Regulatory Year during the Price Control Period for costs that relate to one or more of the following activities:
       1. a Generation Connection project the forecast costs of which are at least double the level that could be provided for under Special Condition 3.18 (Generation Connection volume driver);
       2. a Demand Connection project the forecast costs of which are at least double the level that could be provided for under Special Condition 3.23 (Demand Related Infrastructure volume driver);
       3. a Boundary Reinforcement Project that has received a NOA Proceed Signal in the most recent NOA;
       4. a Flooding Defence Project that is required following:
          1. updated Energy Networks Association Engineering Technical Report (ETR138) guidance on flooding; or
          2. a direction from government to protect sites from flooding;
       5. Black Start Projects following the publication by government of a new Black Start Standard (or equivalent), published after 1st April 2021;
       6. a system operability or constraint management project that has been formally requested by the ESO;
       7. NETS SQSS compliance projects that are required in order to meet NETS SQSS requirements regarding security and system operability;
       8. Harmonic Filtering projects that are required following:
          1. requests from the licensee’s customers to aggregate and deliver Harmonic Filtering requirements; or
          2. system studies by the ESO or the licensee showing a requirement for additional Harmonic Filtering on the National Electricity Transmission System;
       9. Energy System Data Transformation and Improvement Projects, to meet requests from stakeholders and recommendations from industry data working groups;
       10. an Operational Load Management Scheme [SPT only] following the receipt of an STC planning request;
       11. the Port of Tyne Diversion Project [NGET only], where the government has required the licensee to deliver this project.

### When to make an application

* + 1. The licensee may only apply to the Authority for an adjustment under paragraph 3.21.4 Between [25 January 2024 and 31 January 2024].

### How to make an application

* + 1. An application under paragraph 3.21.4 must be made in writing to the Authority and include:
       1. a detailed justification of the technical need and, where relevant, the consumer benefit that the project is expected to deliver;
       2. the adjustments to the value of the MSIPt term that the licensee is requesting and the Regulatory Years to which those adjustments relate;
       3. the basis of the calculation for the proposed adjustments to the value of the MSIPt term;
       4. the specific outputs that the licensee proposes to deliver as a result of the adjustments to the value of the MSIPt term; and
       5. such detailed supporting evidence as may be specified in the Re-opener Application Requirements and Guidance Document.
    2. An application under paragraph 3.21.5 must:
       1. relate to costs incurred or expected to be incurred that exceed the materiality threshold specified for the licensee in Appendix 1; and
       2. relate to costs incurred or expected to be incurred on or after 1 April 2021.

### What process will the Authority follow in making a direction?

* + 1. Before making a direction under paragraph 3.21.4, the Authority will publish on the Authority's Website:
       1. the text of the proposed direction;
       2. the reasons for the proposed direction; and
       3. a period during which representations may be made on the proposed direction, which will not be less than 28 days.
    2. The direction will set out:
       1. any adjustments to the value of the MSIPt term, which will include any relevant Opex Uplift; and
       2. the Regulatory Years to which those adjustments relate.

## Pre-construction funding Re-opener (PCFt)

Introduction

* + 1. The purpose of this condition is to calculate the term PCFt (the Pre-Construction Funding term). This contributes to calculation of the Totex Allowance.
    2. The effect of this condition is to establish a Re-opener for the licensee to trigger where it has incurred costs for Pre-Construction Works in relation to a LOTI.
    3. This condition also explains the process the Authority will follow when directing any changes as a result of the Re-opener.

### What costs are within scope of this Re-opener?

* + 1. The licensee may apply to the Authority for a direction adjusting the value of the PCFt term for any Regulatory Year during the Price Control Period where:
       1. the licensee has incurred costs for Pre-Construction Works in relation to a LOTI;
       2. the LOTI was subject to a NOA Proceed Signal at the time the costs were incurred; and
       3. the costs were incurred on or after 1 April 2021.

### When to make an application

* + 1. The licensee may only apply to the Authority for an adjustment under paragraph 3.22.4 between [25 January 2026 and 31 January 2026], or during such later period as the Authority may direct.

### How to make an application

* + 1. An application under paragraph 3.22.4 must be made in writing and include:
       1. a detailed breakdown of what Pre-Construction Works were undertaken;
       2. an overview of the LOTI to which the Pre-Construction Works relate;
       3. a detailed justification of why the Pre-Construction Works were required;
       4. a statement that each LOTI was subject to a NOA Proceed Signal at the time the relevant costs were incurred;
       5. the adjustments to the value of the PCFt term that the licensee is requesting and the Regulatory Years to which those adjustments relate; and
       6. the basis of the calculation for the proposed adjustments to the value of the PCFt term.

### What process will the Authority follow in making a direction?

* + 1. Before making a direction under 3.22.4 the Authority will publish on the Authority's Website:
       1. the text of the proposed direction;
       2. the reasons for the proposed direction; and
       3. a period during which representations may be made on the proposed direction, which will not be less than 28 days.
    2. The direction will set out:
       1. any adjustments to the value of the PCFt term, which will include any relevant Opex Uplift; and
       2. the Regulatory Years to which those adjustments relate.

## Subsea cable Re-opener (SCRt)

Introduction

* + 1. The purpose of this condition is to calculate the term SCRt (the Subsea Cable Repair term). This contributes to the calculation of the Totex Allowance.
    2. The effect of this condition is to establish a Re-opener triggered by the licensee where there is a need for Subsea Cable repair works on the licensee’s Transmission System.
    3. This condition also explains the process the Authority will follow when directing any changes as a result of the Re-opener.

### What costs are within scope of this Re-opener?

* + 1. The licensee may apply to the Authority for a direction adjusting the value of the SCRt term for any Regulatory Year during the Price Control Period as a result of:
       1. repairing Subsea Cable Faults on the licensee’s Transmission System that the licensee did not reasonably anticipate at the start of the Price Control Period, or
       2. mitigating any material risk of a Subsea Cable Fault occurring in the future.

### When to make an application

* + 1. An application under paragraph 3.22.4 may be made:
       1. Between [25 January 2024 and 31 January 2024], or
       2. during a period after the Price Control Period to be specified by the Authority by direction.

### How to make an application

* + 1. An application under paragraph 3.22.4 must be made in writing and:
       1. give a detailed justification of the technical need and, where relevant, the consumer benefit that the repair works or mitigating actions would deliver;
       2. set out the adjustments to the value of the SCRt term that the licensee is requesting and the Regulatory Years to which those adjustments relate;
       3. explain the basis of the calculation for the proposed adjustments to the value of the SCRt term; and
       4. set out the specific works that the licensee proposes to deliver as a result of the adjustments to the value of the SCRt term.
    2. An application under paragraph 3.22.4 must:
       1. be confined to costs incurred or expected to be incurred on or after 1 April 2021; and
       2. relate to costs incurred or expected to be incurred which exceed the materiality threshold set out in Appendix 1.

### What process will the Authority follow in making a direction?

* + 1. Before making a direction under paragraph 3.22.4 the Authority will publish on the Authority's Website:
       1. the text of the proposed direction;
       2. the reasons for the proposed direction; and
       3. a period during which representations may be made on the proposed direction, which will not be less than 28 days.
    2. The direction will set out:
       1. any adjustments to the value of the SCRt term, which will include any relevant Opex Uplift; and
       2. the Regulatory Years to which those adjustments relate.

## Uncertain Non-Load Related Projects Re-opener and Price Control Deliverable (UNLRt)

Introduction

* + 1. The purpose of this condition is to calculate the term UNLRt (Uncertain Non-Load Related Projects Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.
    2. The effect of this condition is to:
       1. establish a Re-opener triggered by the licensee where there is a need to undertake one or more of the Non-Load Related Projects in Appendix 1;
       2. specify the outputs, delivery dates and associated allowances for the Price Control Deliverable; and
       3. provide for an assessment of the Price Control Deliverable.
    3. This condition also explains the process the Authority will follow when directing under paragraphs 3.24.6 and 3.24.10.

### Formula for calculating the Uncertain Non-Load Related Projects Funding term (UNLRt)

* + 1. The value of UNLRt is derived in accordance with the following formula:

UNLRt = UNLRAt - UNLRRt

where:

UNLRAt means the sum of allowances in Appendix 2; and

UNLRRt has the value zero unless otherwise directed by the Authority in accordance with Part D.

### What is the licensee funded to deliver?

* + 1. Appendix 2 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

### Uncertain non-Load related projects Re-opener

* + 1. The licensee may apply to the Authority for a direction amending the outputs, delivery dates and associated allowances in Appendix 3 where there is a need to undertake work in relation to a Non-Load Related Project in Appendix 1.
    2. The licensee may only apply to the Authority under paragraph 3.24..6 Between 25 January 2024 and 31 January 2024, or during such later periods as the Authority may direct.
    3. An application under paragraph 3.24..6 must be made in writing to the Authority and include:
       1. a statement of which Non-Load Related Projects in Appendix 1 the application relates;
       2. the amendments being sought to the outputs, delivery dates and associated allowances in Appendix 2;
       3. explaining the basis of the calculations for any amendments requested to allowances; and
       4. detailed supporting evidence, which must include a needs case, detailed justification of the technical need for the project, and detailed justification of the consumer benefit that the project is expected to deliver.
    4. An application under paragraph 3.24.6 must relate to costs incurred or expected to be incurred on or after 1 April 2021.

### Assessment of outputs (UNLRRt)

* + 1. The Authority will, in accordance with the PCD Reporting Requirements and Methodology Document, consider directing a value for UNLRRt where the licensee has not Fully Delivered an output in Appendix 2.

### What process will the Authority follow in making a direction?

* + 1. Before making a direction under paragraph 3.24.6 or 3.24.10, the Authority will publish on the Authority's Website:
       1. the text of the proposed direction;
       2. the reasons for the proposed direction; and
       3. a period during which representations may be made on the proposed direction, which will not be less than 28 days.
    2. A direction under paragraph 3.24.6 will set out any amendments to Appendix 2.
    3. A direction under paragraph 3.24.10 will set out:
       1. the value of the UNLRRt term, which will include any relevant Opex Uplift; and
       2. the Regulatory Years to which those values relate.

Non-load related projects

|  |  |
| --- | --- |
| Project reference | Project name |
| SPNLT2034 | Westfield 275kV switchgear replacement (includes future 400kV upgrade) |
| SPNLT2063 | Longannet 275kV series reactors refurbishment |
| SPNLT2099 | Longannet 275kV switchgear replacement (includes future 400kV upgrade) |
| SPNLT20111 | XH & XJ Routes 400kV Major Refurbishment |
| SPNLT20112 | Currie-Gorgie 132kV Cable Replacement |
| SPNLT20113 | Cable Sealing End Proactive Programme |

Uncertain Non-Load Related Projects Price Control Deliverable

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Project name | Output | Delivery Date | Allowance | | | | |  |
|  |  |  | 21/22 | 22/23 | 23/24 | 24/25 | 25/26 | Total Allowance (All years) |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |

## Consumer Value Proposition (CVPt)

Introduction

* + 1. The purpose of this condition is to:
       1. calculate the term CVPt (the Consumer Value Proposition term), which contributes to the calculation of the Totex Allowance;
       2. specify the CVP Outputs and associated CVP Rewards for the licensee's CVPs;
       3. allow for the adjustment of the term BPIt (the business plan incentive term), which contributes to the calculation of Calculated Revenue in Special Condition 2.1 (Revenue Restriction).
    2. This condition also explains the process the Authority will follow when assessing the delivery of the CVP Outputs and directing a value for CVPRt or an adjustment to BPIt.

### Formula for calculating the Consumer Value Proposition term (CVPt)

* + 1. The value of the CVPt term is derived in accordance with the following formula:

CVPt = CVPAt - CVPRt

where:

CVPAt means the sum of values in the ‘Reward’ column of Appendix 1; and

CVPRt has the value zero unless otherwise directed by the Authority in accordance with Part D.

### What is the licensee expected to deliver?

* + 1. Appendix 1 specifies the CVP Outputs that the licensee is expected to deliver, the delivery dates for those outputs and the rewards and costs provided.

### Reporting requirements

* + 1. The licensee must submit a single report to the Authority on a date to be directed by the Authority, which will be after the Price Control Period ends, demonstrating how the licensee has delivered all of its CVP Outputs set out in Appendix 1.
    2. If the licensee has not delivered a CVP Output and believes that it no longer provides value to consumers, the licensee must include in the report required by paragraph 3.25.6:
       1. justification for this belief; and
       2. details of any alternative activity undertaken and evidence that it delivers outcomes with an equivalent or higher value to consumers.

### Authority Assessment and direction (CVPRt)

* + 1. The Authority will consider directing a value for CVPRt and BPIt after the Price Control Period where the licensee has not demonstrated CVP Full Delivery for one or more CVP Outputs in Appendix 1.
    2. Before making a direction under paragraph 3.25.8 the Authority will publish on the Authority's Website:
       1. the text of the proposed direction;
       2. the reasons for the proposed direction; and
       3. a period during which representations may be made on the proposed direction, which will not be less than 28 days.

Consumer Value Proposition

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Licensee | CVP Name | CVP Output | Delivery date | Reward | Costs |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

# Output Delivery Incentives

## Total output delivery incentive performance

Introduction

* + 1. The purpose of this condition is to calculate ODIt (the output delivery incentives term). This contributes to the calculation of Calculated Revenues in Special Condition 2.1 (Revenue Restriction).

### Formula for calculating total output delivery incentive performance

* + 1. The value of ODIt is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
| *ENSIt* | is derived in accordance with Special Condition 4.2; |
| *IIGIt* | is derived in accordance with Special Condition 4.3; |
| *CONADJt* | is derived in accordance with Special Condition 4.4; and |
| *ESIt* | is derived in accordance with Special Condition 4.5. |

## Energy not supplied output delivery incentive (ENSIt)

Introduction

* + 1. The purpose of this condition is to provide for the calculation of the term ENSIt (the energy not supplied output delivery incentive term). This contributes to the calculation of the term ODIt (the output delivery incentives term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Revenue Restriction).
    2. The effect of the energy not supplied incentive is to reward or penalise the licensee’s performance in relation to energy not supplied.
    3. This condition also places obligations on the licensee:
       1. to maintain and comply with the ENS Incentive Methodology Statement;
       2. in relation to ENS Exceptional Events; and
       3. in relation to Incentivised Loss of Supply Events.

### Formula for calculating the energy not supplied incentive (ENSIt)

* + 1. The value of ENSIt term is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
| VOLL | means the value of lost load which has the value £21,008 per MWh; |
| TIS | means the Totex Incentive Strength; |
| ENSTt | means the incentivised loss of supply volume target and has the value of [316 MWh]; |
| ENSAt | means the sum of the volumes of energy not supplied in all Incentivised Loss of Supply Events; |
| RIDPA | means the maximum downside percentage adjustment, and has the value 3 per cent; and |
| EABRt | means Ex-Ante Base Revenue. |

### ENS Incentive Methodology Statement

* + 1. The licensee must have in place an ENS Incentive Methodology Statement approved by the Authority.
    2. When preparing the ENS Incentive Methodology Statement, the licensee must have regard to:
       1. the approaches taken by the other Transmission Licensees subject to a condition of equivalent effect to this condition; and
       2. the National Electricity Transmission System Security and Quality of Supply Standards.
    3. The licensee must use its best endeavours to apply the methodology in the ENS Incentive Methodology Statement.
    4. The licensee must from time to time and at least once in every two years, review and propose any revisions to the ENS Incentive Methodology Statement as may be necessary in order to ensure that it continues to enable the reasonable estimation of the term ENSAt.
    5. Before revising the ENS Incentive Methodology Statement, the licensee must provide a copy of the proposed revisions to the Authority.
    6. The Authority will either:
       1. approve the proposed revisions;
       2. reject the proposed revisions; or
       3. reject the proposed revisions and give recommendations as to alternative revisions that it considers should be made.
    7. The Authority may direct that the value of the ENSTt term in any Regulatory Year be changed as a result of any proposed revisions to the ENS Incentive Methodology Statement in order to ensure as far as possible that the measured performance of the licensee against this incentive is the same as if the revision to that statement had not taken place.

### Amendment of VOLL

* + 1. The Authority may direct that the VOLL term be changed once during the Price Control Period in order to ensure as far as possible that it best reflects customers’ valuation of reliable electricity supply.

### Notification and treatment of ENS Exceptional Events

* + 1. Where the licensee considers that an ENS Exceptional Event has wholly or partly caused energy not to be supplied to a customer, the licensee must:
       1. notify the Authority of that event as soon as reasonably practicable, but at the latest before the end of the period of 14 days beginning with the date of the event;
       2. except where the Authority otherwise consents, during the period of 30 days beginning with the date of notification under sub-paragraph (a), provide to the Authority:
          1. details of the volume of energy not supplied that it considers resulted from the ENS Exceptional Event; and
          2. any evidence available which demonstrates that the event was not attributable to any error on the licensee’s part; and
       3. to the extent applicable, provide to the Authority any evidence available that the licensee took reasonable preventative and mitigating actions before and after the event, to limit the effect of the ENS Exceptional Event and to restore supplies quickly and efficiently having due regard to safety and other relevant legal obligations.
    2. Where an ENS Exceptional Event occurs, the Authority will consider directing an adjustment to the value of the ENSA term.

### Licensee’s obligations in respect of Incentivised Loss of Supply Events

* + 1. The licensee must use its reasonable endeavours to:
       1. prevent Incentivised Loss of Supply Events on its Transmission System;
       2. mitigate the impact after any such event to limit its effect; and
       3. restore supplies quickly and efficiently after such an event, having due regard to safety and other relevant legal obligations.

### Process for issuing directions

* + 1. Before issuing a direction under paragraph 11, 12 or 14, the Authority will publish on the Authority's Website:
       1. the text of the proposed direction;
       2. the reasons why it proposes to issue the direction; and
       3. a period during which representations may be made on the proposed direction, which will not be less than 28 days.

## Insulation and Interruption Gas emissions output delivery incentive (IIGIt)

Introduction

* + 1. The purpose of this condition is to calculate the term IIGIt (the Insulation and Interruption Gas emissions output delivery incentive term). This contributes to the calculation of the term ODIt (the output delivery incentives term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Revenue Restriction).
    2. The effect of the Insulation and Interruption Gas emissions incentive is to reward or penalise the licensee to reflect its performance in relation to Insulation and Interruption Gas emissions from assets forming part of its Transmission System compared to the calculated baseline target emissions.
    3. This condition also places obligations on the licensee:
       1. to maintain and comply with the IIG Methodology Statement; and
       2. in relation to IIG Exceptional Events.

### Formula for calculating the Insulation and Interruption Gas emissions incentive term (IIGIt)

* + 1. The value of IIGIt is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
| CTEt | means the calculated baseline target emissions Insulation and Interruption Gas emissions in tonnes CO2e from assets comprising part of the licensee’s Transmission System and is derived in accordance with paragraph 4.2.5; |
| ALEt | means the actual Insulation and Interruption Gas emissions in tonnes of CO2e from assets forming part of the licensee’s Transmission System as calculated by the licensee in accordance with the IIG Methodology Statement; |
| NTPCt | means the relevant central non-traded price per tonne of CO2e as set out in the Green Book Supplementary Guidance; and |
| TISt | means the Totex Incentive Strength Rate. |

* + 1. The value of CTE is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
| BASE | means [the licensee’s baseline leakage rate of Insulation and Interruption Gas emissions in tonnes CO2e and is calculated in 2021/22 by multiplying the licensee’s IIG Inventory at the end of RIIO-T1, by the Average IIG Leakage Rate from 2013/14 to 2019/20, multiplied by 0.85]; |
| ADDt | means the Insulation and Interruption Gas emissions in tonnes CO2e from new assets added to the licensee’s Transmission System as calculated in accordance with the IIG Methodology Statement. For an asset added during Regulatory Year t, a proportion of the annual emissions should be calculated based on the number of quarters of the Regulatory Year t for which it formed part of the licensee’s Transmission System; and |
| DSPt | means the reduction in Insulation and Interruption Gas emissions in tonnes CO2e from assets decommissioned from service on the licensee’s Transmission System as calculated in accordance with the IIG Methodology Statement. For an asset removed during Regulatory Year t, a proportion of the annual emissions should be calculated based on the number of quarters of the Regulatory Year t for which it did not form part of the licensee’s Transmission System. |

### IIG Methodology Statement

* + 1. The licensee must have in place an IIG Methodology Statement approved by the Authority.
    2. The IIG Methodology Statement must:
       1. be consistent with industry best practice for measuring actual and estimating expected leakage of Insulation and Interruption Gases from the assets forming part of the licensee's Transmission System; and
       2. in respect of each Insulation and Interruption Gas:
          1. set out how the licensee’s actual and expected emissions are adjusted to tonnes of CO2e by using the relevant global warming potential values published on the Greenhouse Gas Protocol Website; or
          2. where this information is not available from the Greenhouse Gas Protocol Website, specify the source of the global warming potential value adopted and set out the process undertaken to verify that source; and
       3. in respect of each Insulation and Interruption Gas set out the methodology by which the licensee will determine the leakage of Insulation and Interruption Gases from the assets forming part of its Transmission System for the ALEt, ADDt and DSPt terms.
    3. The licensee must use its best endeavours to apply the methodology in the IIG Methodology Statement.
    4. The licensee must from time to time and in any event not less than once in every period of two Regulatory Years, review and propose any revisions to the IIG Methodology Statement as may be necessary in order to ensure that it continues to comply with paragraph 4.2.7.
    5. Before revising the IIG Methodology Statement, the licensee must submit a copy of the proposed revisions to the Authority.
    6. The Authority will either:
       1. approve the proposed revisions;
       2. reject the proposed revisions; or
       3. reject the proposed revisions and give recommendations as to alternative revisions which it considers should be made.

### Notification and treatment of IIG Exceptional Events

* + 1. Where the licensee considers that an IIG Exceptional Event has wholly or partly caused leakage of an Insultation and Interruption Gas, it must:
       1. notify the Authority of that event as soon as reasonably practicable but at the latest before the end of the period of 14 days beginning with the date of the event;
       2. except where the Authority otherwise consents, during the period of 30 days beginning with the notification under sub-paragraph (a), provide to the Authority:
          1. details of the volume of leakage of Insultation and Interruption Gas that it considers resulted from the IIG Exceptional Event;
          2. any evidence available which demonstrates that the event was not attributable to any error on the licensee’s part; and
          3. any evidence available that it had taken reasonable preventative and mitigating actions before and after the event to limit its effect.
    2. The licensee must not provide the details required by paragraph 4.2.12(b) where the cost of doing so is likely to exceed the value of the volume of leakage under paragraph 4.2.12 (b)(i).
    3. Before directing an adjustment to ALEt as a result of an IIG Exceptional Event, the Authority will publish on the Authority's Website:
       1. the text of the proposed direction;
       2. the reasons for the proposed direction; and
       3. a period during which representations may be made on the proposed direction, which will not be less than 28 days.

## Timely Connections output delivery incentive (CONADJt)

Introduction

* + 1. The purpose of this condition is to calculate the term CONADJt (the timely connections output delivery incentive term). This contributes to the calculation of the term ODIt (the output delivery incentives term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Revenue Restriction).
    2. Where the Authority decides to apply the CONADJt term, the effect will be to penalise the licensee for failing to deliver timely offers for connection to the licensee's Transmission System.

### Formula for calculating the Timely Connections incentive (CONADJt)

* + 1. The value of CONADJt is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
| Untimely Offerst | means the total number of Untimely Offers; |
| Total Offerst | means the total number of connection offers, i.e. the sum of the number of Untimely Offers and the number of offers made consistent with the licensee's Timely Connections Obligations; and |
| EABRt | means Ex-Ante Base Revenue. |

### Process for directing the application of the CONADJt term

* + 1. Where the Authority considers that the CONADJt term should apply as an adjustment to the licensee's incentive revenue it will do so by direction.
    2. Before issuing a direction under paragraph 4.3.4 the Authority publish on the Authority's Website:
       1. the text of the proposed direction;
       2. the reasons for the proposed direction; and
       3. a period during which representations may be made on the proposed direction, which will not be less than 14 days.

## Environmental Scorecard output delivery incentive (ESIt)

Introduction

* + 1. The purpose of this condition is to calculate the term ESIt (the environmental scorecard output delivery incentive term). This contributes to the calculation of the ODIt term (the output delivery incentives term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Revenue Restriction).
    2. The effect of the environmental scorecard output delivery incentive is to reward or penalise the licensee's performance in the seven environmental areas compared to annual improvement thresholds.

### Formula for calculating the environmental scorecard incentive (ESIt)

* + 1. The value of ESIt is derived in accordance with the following formula:

ESIt = (FEt+BMt+WRt+OWt+WUt+EVt+BGt)\*TIS

where:

|  |  |
| --- | --- |
| FEt | = 2\*FEIt, if FEAt > FETR2t  = FEIt, if FETR1t < FEAt < FETR2t  = -2\*FEIt, if FEAt < FETP2t  = -1\*FEIt, if FETP1t < FEAt > FETP2t  otherwise has a value of zero; |
| BMt | = 2\*BMIt, if BMAt > BMTR2t  = BMIt, if BMTR1t < BMAt < BMTR2t  = -2\*BMIt, if BMAt < BMTP2t  = -1\*BMIt, if BMTP1t < BMAt > BMTP2t  otherwise has a value of zero; |
| WRt | = 2\*WRIt, if WRAt > WRTR2t  = WRIt, if WRTR1t < WRAt < WRTR2t  = -2\*WRIt, if WRAt < WRTP2t  = -1\*WRIt, if WRTP1t < WRAt > WRTP2t  otherwise has a value of zero; |
| OWt | = 2\*OWIt, if OWAt > OWTR2t  = OWIt, if OWTR1t < OWAt < OWTR2t  = -2\*OWIt, if OWAt < OWTP2t  = -1\*OWIt, if OWTP1t < OWAt > OWTP2t  otherwise has a value of zero; |
| WUt | = 2\*WUIt, if WUAt > WUTR2t  = WUIt, if WUTR1t < WUAt < WUTR2t  = -2\*WUIt, if WUAt < WUTP2t  = -1\*WUIt, if WUTP1t < WUAt > WUTP2t  otherwise has a value of zero; |
| EVt | = 2\*EVIt, if EVAt > EVTR2t  = EVIt, if EVRT1t < EVAt < EVRTt2  = -2\*EVIt, if EVAt < EVTP2t  = -1\*EVIt, if EVTP1t < EVAt > EVTP2t  otherwise has a value of zero; |
| EGt | = 2\* ƩNCPit\*EGIt, if ƩEGAit/ƩNCPit > EGTR2t  = ƩNCPit\*EGIt, if EGTR1t < ƩEGAit/ƩNCPit < EGTR2t  = -2\* ƩNCPit \*EGIt, if ƩEGAit/ƩNCPit < EGTP2t  = -1\* ƩNCPit\*EGIt, if BGTP1t < ƩEGAit/ƩNCPit > EGTP2t  otherwise has a value of zero; |
| TIS | means the Totex Incentive Strength |

where:

|  |  |
| --- | --- |
| FEAt | means the percentage reduction in the licensee's total fleet emissions CO2e emissions compared to levels reported in the Annual Regulatory Report for Regulatory Year 2020/21.; |
| BMAt | means the percentage change in the licensee's total business mileage CO2e emissions compared to levels reported in the Annual Regulatory Report for Regulatory Year 2020/21.; |
| WRAt | means the percentage of the licensee's operational and office waste that is recycled.; |
| OWAt | means the percentage change in the weight (in tonnes) of waste created at the Licensee's Offices compared to the 2019/20 level set out in Appendix 1; |
| WUAt | means the percentage change in the volume of water use at the Licensee's Offices compared to the 2019/20 levels set out in Appendix 1; |
| EVAt | means the percentage change in the Environmental Value of the licensee's non-operational land compared to the 2020/21 levels set out in Appendix 1; |
| ƩEGAit | means the sum total percentage change of Environmental Net Gain achieved on all new construction projects completed; and |
| ƩNCPit | means the total number of new construction projects completed. |

* + 1. The penalty and reward thresholds applicable in each environmental area are:

| Regulatory Year | 2021/2022 | 2022/2023 | 2023/2024 | 2024/2025 | 2025/2026 |
| --- | --- | --- | --- | --- | --- |
| FETR2  FETR1  FETP1  FETP2 | -8%  -7%  -5%  -4% | -18%  -16%  -12%  -10% | TBC  TBC  TBC  TBC | -33%  -30%  -24%  -21% | -62%  -58%  -50%  -46% |
| BMTR2  BMTR1  BMTP1  BMTP2 | -4%  -3%  -1%  -0% | -6%  -5%  -3%  -2% | -8%  -7%  -5%  -4% | -12%  -10%  -6%  -4% | -14%  -12%  -8%  -6% |
| WRTR2  WRTR1  WRTP1  WRTP2 | 56%  52%  44%  40% | 58%  54%  46%  42% | 61%  57%  29%  45% | 65%  61%  53%  49% | 70%  65%  55%  50% |
| OWTR2  OWTR1  OWTP1  OWTP2 | -4%  -3%  -1%  -0% | 6%  5%  3%  2% | 9%  7%  5%  3% | 12%  10%  6%  4% | 30%  25%  15%  10% |
| WUTR2  WUTR1  WUTP1  WUTP2 | -4%  -3%  -1%  -0% | -6%  -5%  -3%  -2% | -9%  -7%  -5%  -3% | -12%  -10%  -6%  -4% | -30%  -25%  -15%  -10% |
| EVTR2  EVTR1  EVTP1  EVTP2 | 4%  3%  1%  0% | 7%  5%  3%  1% | 10%  8%  4%  2% | 12%  10%  6%  4% | 14%  12%  8%  6% |
| EGTR2  EGTR1  EGTP1  EGTP2 | 20%  15%  5%  0% | 20%  15%  5%  0% | 20%  15%  5%  0% | 20%  15%  5%  0% | 20%  15%  5%  0% |

* + 1. The value of the incentive applicable in each environmental area is:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Regulatory year | 2021/2022 | 2022/2023 | 2023/2024 | 2024/2025 | 2025/2026 |
| FEIt | £4,895 | £9,789 | £9,789 | £14,684 | £19,578 |
| BMIt | £2,795 | £2,795 | £2,795 | £5,590 | £5,590 |
| WRIt | = [TBC] |  |  |  |  |
| OWIt | = [TBC] |  |  |  |  |
| WUIt | = [TBC] |  |  |  |  |
| EVIt | = [TBC] |  |  |  |  |
| EGIt | = [TBC] |  |  |  |  |
|  |  |  |  |  |  |

Baseline measures

|  |  |  |
| --- | --- | --- |
| Impact area | Year | Level |
| Licensee's office waste in tonnes | 2019/20 | TBC |
| Licensee's office water use in litres | 2019/20 | TBC |
| Environmental value of licensee's non-operational land (£M) | 2020/21 | TBC |

# Innovation

## Total innovation allowance (INNVt)

### Introduction

* + 1. The purpose of this condition is to calculate the term INNVt (the innovation allowance term). This contributes to the calculation of Calculated Revenues in Special Condition 2.1 (Revenue Restriction).

### Formula for calculating total innovation allowance

* + 1. The value of INNVt is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
|  | is derived in accordance with Special Condition 5.2 (The RIIO-2 Network Innovation Allowance); and |
|  | is derived in accordance with Special Condition 5.3 (Carry-over RIIO-1 Network Innovation Allowance). |

## The RIIO-2 Network Innovation Allowance (NIAt)

Introduction

* + 1. The purpose of this condition is to calculate the term NIAt (the Network Innovation Allowance term). This contributes to the calculation of the term INNVt (the innovation term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Revenue Restriction).
    2. The effect of this condition is to fund investment in innovation by means of the NIA.
    3. This condition also establishes a framework for the governance and administration of the NIA.

### Formula for calculating the Network Innovation Allowance (NIAt)

* + 1. The value of the NIAt term is the total Allowable NIA Expenditure incurred by the licensee, subject to the following limit:

### The RIIO-2 NIA Governance Document

* + 1. The licensee must comply with the RIIO-2 NIA Governance Document.
    2. The Authority will issue and amend the RIIO-2 NIA Governance Document by direction.
    3. The Authority will publish the RIIO-2 NIA Governance Document on the Authority’s Website.
    4. The RIIO-2 NIA Governance Document will make provision about the governance and administration of the NIA, including:
       1. the definition of Allowable NIA Expenditure and Unrecoverable NIA Expenditure;
       2. the eligibility criteria, which RIIO-2 NIA Projects must meet;
       3. the information that is to be published by the licensee before RIIO-2 NIA Projects can begin;
       4. the circumstances in which the licensee will require approval from the Authority before beginning a RIIO-2 NIA Project, and the processes and procedures for that approval;
       5. arrangements for ensuring that learning from RIIO-2 NIA Projects can be captured and disseminated by the licensee to other Gas Transporter Licensees;
       6. the reporting obligations in respect of RIIO-2 NIA Projects (which may include reporting in respect of the funding and the completion of such projects, and the provisions of the RIIO-2 NIA Governance Document); and
       7. arrangements relating to the treatment of intellectual property rights in respect of RIIO-2 NIA Projects.
    5. Before directing that the RIIO-2 NIA Governance Document comes into effect, the Authority will publish on the Authority’s Website:
       1. the text of the proposed RIIO-2 NIA Governance Document;
       2. the date on which the Authority intends the RIIO-2 NIA Governance Document to come into effect; and
       3. a period during which representations may be made on the content of the RIIO-2 NIA Governance Document, which will not be less than 28 days.
    6. Before directing an amendment to the RIIO-2 NIA Governance Document, the Authority will publish on the Authority’s Website:
       1. the text of the amended RIIO-2 NIA Governance Document;
       2. the date on which the Authority intends the amended RIIO-2 NIA Governance Document to come into effect;
       3. the reasons for the amendments to the RIIO-2 NIA Governance Document; and
       4. a period during which representations may be made on the amendments to the RIIO-2 NIA Governance Document, which will not be less than 28 days.

## Carry-over RIIO-1 Network Innovation Allowance (CNIAt)

Introduction

* + 1. The purpose of this condition is to calculate the term CNIAt (the Carry-over Network Innovation Allowance term). This contributes to the calculation of the term INNVt (the innovation term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Revenue Restriction).
    2. The effect of this condition is to extend RIIO-1 Network Innovation Allowance funding.
    3. This condition also makes appropriate provision for arrangements relating to the regulation, administration and governance of the Carry-over Network Innovation Allowance.

### Formula for calculating the Carry-over Network Innovation Allowance term (CNIAt)

* + 1. For the Regulatory Year commencing on 1 April 2021, the value of CNIAt is derived in accordance with the following formula:

where

|  |  |  |
| --- | --- | --- |
| *ECNIAt* | means the expenditure incurred by the licensee in respect of Eligible CNIA Projects as calculated by the licensee in accordance with the RIIO-1 NIA Governance Document and reported to the Authority in accordance with Standard Condition B15 (Regulatory Instructions and Guidance); | |
| *CNIAV* | is derived in accordance with Part B; and | |
| *CNIAR* | means an amount recovered by the licensee in relation to the Regulatory Year 2021/22 under the RIIO-1 NIA which the Authority has directed is unrecoverable in accordance with the RIIO-1 NIA Governance Document. | |
| *PIt* | is the price index calculated in accordance with Part D of Special Condition 2.1. |

* + 1. For Regulatory Years commencing on or after 1 April 2022, the value of CNIAt is equal to zero.
    2. Eligible CNIA Internal Expenditure may not exceed 25% of the total Eligible CNIA, unless the Authority consents.

### Formula for calculating the Carry-over Network Innovation Allowance Value term (CNIAV)

* + 1. The value of CNIAV is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
| NIAV2020/21 | is calculated in accordance with Part B of Special Condition 1H (The Network Innovation Allowance) of this licence as in force on 31 March 2021; |
| BR2020/21 | is calculated in accordance with Part B of Special Condition 1H (The Network Innovation Allowance) of this licence as in force on 31 March 2021; |
| ENIA2020/21 | is calculated in accordance with Part B of Special Condition 1H (The Network Innovation Allowance) of this licence as in force on 31 March 2021; and |
| BPC2020/21 | is calculated in accordance with Part B of Special Condition 1H (The Network Innovation Allowance) of this licence as in force on 31 March 2021. |

### The RIIO-1 NIA Governance Document

* + 1. The licensee must comply with the RIIO-1 NIA Governance Document.
    2. The Authority will amend the RIIO-1 NIA Governance Document by direction.
    3. The RIIO-1 NIA Governance Document makes and will continue to make provision in respect of:
       1. arrangements for ensuring that relevant learning from Eligible CNIA Projects can be captured and disseminated by the licensee to other Transmission Licensees and holders of a Distribution Licence;
       2. the nature of the reporting obligations in respect of such projects (which may include reporting in respect of the funding and the completion of such projects, as well as reporting on compliance with this condition and the provisions of the RIIO-1 NIA Governance Document);
       3. arrangements relating to the treatment of intellectual property rights in respect of Eligible CNIA Projects; and
       4. any other matters relating to the regulation, governance or administration of the Carry-over Network Innovation Allowance.

### Procedure for amending the RIIO-1 NIA Governance Document

* + 1. Before amending the RIIO-1 NIA Governance Document by direction, the Authority will publish on the Authority’s Website:
       1. the text of the amended RIIO-1 NIA Governance Document;
       2. the date on which the Authority intends the amended RIIO-1 NIA Governance Document to come into effect;
       3. the reasons for the amendments to the RIIO-1 NIA Governance Document; and
       4. a period during which representations may be made on the amendments to the RIIO-1 NIA Governance Document, which will not be less than 28 days.

# Pass-through expenditure

## Pass-through items (PTt)

Introduction

* + 1. The purpose of this condition is to calculate the term PTt (the allowed pass-through term). This feeds into Calculated Revenue in Special Condition 2.1 (Revenue Restriction).
    2. The effect of this condition is to ensure that the licensee’s Allowed Revenue reflects that certain costs can be passed through to users.

### Formula for calculating the allowed pass-through term (PTt)

* + 1. The value of the *PTt* term is derived in accordance with the following formula:

where

|  |  |
| --- | --- |
|  | means the amount levied on the licensee in respect of the Prescribed Rates or an amount directed under Part B; |
| *EDEt* | means the payments in relation to the Pension Scheme Established Deficit repair expenditure for each Regulatory Year; |
|  | means the temporary physical disconnection costs incurred by the licensee in relation to interruption payments made by the System Operator as part of its balancing services activity in the licensee's Transmission Area that are charged to the licensee in accordance with the provisions of the STC; and |
| *CPMRt* | means the Competition Proxy Model term in Special Condition 6.2 |
| *SHCP*t | means the ENS Compensatory payments pass through term in Special Condition 6.3 |

### Review of Prescribed Rates pass-through term (RBt)

* + 1. As part of any periodic revaluation, the licensee must:
       1. engage with the Relevant Valuation Agency; and
       2. use its reasonable endeavours to minimise the amount of the Prescribed Rates to which it is liable.
    2. The Authority will review the licensee’s engagement with the Relevant Valuation Agency with respect to a revaluation.
    3. If, after reviewing the licensee’s engagement with the Relevant Valuation Agency with respect to a particular revaluation, the Authority considers that the licensee has not complied with paragraph 6.1.4, the Authority will adjust the value of RBt by direction.

## Competition Proxy Model pass-through cost and Re-opener (CPMRt)

Introduction

* + 1. The purpose of this condition is to calculate the term CPMRt (the Competition Proxy Model term). This contributes to the calculation of the PTt term (the allowed pass-through term), which in turn feeds into the calculation of Calculated Revenue in Special Condition 2.1 (Revenue Restriction).
    2. The effect of this condition is to establish a Re-opener for the licensee to apply for an adjustment to its allowed expenditure where there is a need for additional investment in the transmission network.

### Formula for calculating the Competition Proxy Model Re-opener term (CPMRt)

* + 1. The value of *CPMRt* is derived in accordance with the following formula:

*CPMRt = CPMRCt + CPMROt*

where:

|  |  |
| --- | --- |
| *CPMRCt* | means the sum of the revenue allowances for each project listed in Appendix 1, derived from each project’s CPM Project Financial Model using the inputs in Appendix 1; and |
| *CPMROt* | means the sum of the revenue allowances for each project listed in Appendix 1, derived from each project’s CPM Project Financial Model using the inputs in Appendix 2. |

### Application of this condition

* + 1. If the licensee has submitted an Initial Needs Case for a LOTI to the Authority under Part D of Special Condition 3.20 (Large Onshore Transmission Investment), the Authority may, if it considers it appropriate to do so, direct that some or all of any Qualifying Assets constituting the LOTI are to be treated as a CPM Project.

### Scope of the Re-opener and pre-application requirements

* + 1. The licensee may, in respect of any CPM Project, apply to the Authority for a CPM Project Assessment Decision.
    2. Before applying for a CPM Project Assessment Decision under paragraph 6.2.5, the licensee must obtain approval of a CPM Needs Case, unless the licensee has already obtained approval of a Final Needs Case in respect of the CPM Project under Part F of Special Condition 3.20 (Large Onshore Transmission Investment).
    3. CPM Needs Case approval must be sought from the Authority after:
       1. the licensee has secured all material planning consents; or
       2. such other date specified by the Authority by direction.

### CPM Outputs

* + 1. The licensee must deliver the outputs specified in Appendix 1 by the delivery date specified in Appendix 1.

### CPM Mid Construction Review

* + 1. The licensee may apply to the Authority for a CPM Mid Construction Review Direction, amending the CPM Output, CPM Delivery Date and associated allowance in Appendix 1, where:
       1. owing to circumstances beyond the licensee's control:
          1. the licensee will be unable to Deliver a CPM Output;
          2. the licensee will be unable to Deliver a CPM Output by the CPM Delivery Date; or
          3. expenditure on Delivery of a CPM Output will exceed the CPM Construction Cost Allowance; or
       2. any generation project underlying the CPM Delivery Date:
          1. is expected to be delivered later than anticipated in the CPM Project Assessment Decision; or
          2. is no longer expected to proceed.
    2. An application under paragraph 6.2.9 must be made:
       1. at least 1 year before the CPM Delivery Date; and
       2. in the case of paragraph 6.2.9(a)(iii), only once 90% of the CPM Construction Cost Allowance has been spent or committed.
    3. An application under paragraph 6.2.9 must:
       1. be made in writing to the Authority;
       2. set out the changes requested to the:
          1. CPMt term and the Regulatory Years to which the changes requested relate;
          2. the CPM Output; or
          3. the CPM Delivery Date; and
       3. include an explanation of:
          1. how the changes requested under sub-paragraph (b)(i) have been calculated; and
          2. the reasons for the changes requested under sub-paragraph (b).

### CPM Post Construction Review

* + 1. During the period of 3 months beginning with the CPM Delivery Date, the licensee must submit a report to the Authority detailing the delivery of the CPM Output and the costs incurred.
    2. Following consideration of this report, the Authority will consider making a CPM Post Construction Review Direction amending the CPM Output, CPM Delivery Date and associated allowance in Appendices 1 and 2.

### CPM Operational Cost Adjustment Direction

* + 1. In respect of the Operational Period, the licensee may apply to the Authority for a CPM Operational Cost Adjustment Direction, amending the allowance in Appendix 2, in relation to any increase or decrease in costs where:
       1. the licensee could not have reasonably foreseen the circumstances leading to the increase or decrease in costs;
       2. the licensee could not have economically and efficiently planned a contingency for the circumstances leading to the increase or decrease in costs;
       3. the increase or decrease in costs exceeds or is expected to exceed the CPM Operational Cost Adjustment Threshold; and
       4. the increase or decrease in costs is, or is expected to be, efficiently incurred or saved.
    2. To apply for a CPM Operational Cost Adjustment Direction, the licensee must:
       1. notify the Authority of the circumstances leading to the increase or decrease in costs as soon as reasonably practicable but at the latest before the end of the period of 14 days beginning with the date on which the licensee became aware of the circumstances; and
       2. except where the Authority otherwise consents, before the end of the period of 30 days beginning with the date of notification under sub-paragraph (a), provide evidence that the conditions set out in paragraph 6.2.14 have been met.

### What process will the Authority follow in making a decision or direction?

* + 1. A CPM Project Assessment Decision will set out:
       1. the CPM Output;
       2. the CPM Delivery Date; and
       3. the CPM Project Financial Model and CPM Variable Inputs, the project-specific CPM Construction Cost of Capital, and the CPM Sharing Factors.
    2. Any modifications to this licence as part of a CPM Project Assessment Decision will be made under section 11A of the Act.
    3. Before making a direction under paragraphs 6.2.4, 6.2.8, 6.2.12 or 6.2.13, the Authority will publish on the Authority's Website:
       1. the text of the proposed direction;
       2. the reasons for the proposed direction; and
       3. a period during which representations may be made on proposed direction, which will not be less than 28 days.
    4. A CPM Mid Construction Review Direction will set out all relevant adjustments to the CPM Variable Inputs, including the allowances set out in Appendix 1.
    5. A CPM Post Construction Review Direction will set out:
       1. all relevant adjustments to the CPM Variable Inputs;
       2. adjustments to the allowance set out in Appendices 1 and 2;
       3. the CPM Operational Cost of Capital; and
       4. the CPM Operational Cost Adjustment Threshold.
    6. A CPM Operational Cost Adjustment Direction will set out:
       1. all relevant adjustments to the CPM Variable Inputs;
       2. adjustments to the allowance set out in Appendix 2; and
       3. the Regulatory Years to which the adjustment to the CPMRt term relates.

### CPM Guidance

* + 1. The licensee must comply with the CPM Guidance when making an application under Part C, E or G or when submitting a report under Part F.
    2. The Authority will issue and amend the CPM Guidance by direction.
    3. The Authority will publish the CPM Guidance on the Authority's Website.
    4. The CPM Guidance will make provision about:
       1. the detailed requirements pertaining to Parts C, E, F and G;
       2. the way the Authority will decide whether to make a direction under Part B.
    5. Before directing that the CPM Guidance comes into effect the Authority will publish on the Authority's Website:
       1. the text of the proposed CPM Guidance;
       2. the date on which the Authority intends the CPM Guidance to come into effect; and
       3. a period during which representations may be made on the content of the CPM Guidance, which will not be less than 28 days.
    6. Before directing an amendment to the CPM Guidance, the Authority will publish on the Authority's Website:
       1. the text of the amended CPM Guidance;
       2. the date on which the Authority intends the amended CPM Guidance to come into effect;
       3. the reasons for the amendments to the CPM Guidance; and
       4. a period during which representations may be made on the amendments to the CPM Guidance, which will not be less than 28 days.

|  |  |  |  |
| --- | --- | --- | --- |
| Project Name |  |  |  |
| CPM Output |  |  |  |
| CPM Delivery Date |  |  |  |
| CPM Sharing Factor(s) |  |  |  |
| CPM Allowed First-Year Operational Revenue |  |  |  |
| CPM Construction Cost Allowance | | | |
| 2021/22 |  |  |  |
| 2022/23 |  |  |  |
| 2023/24 |  |  |  |
| 2024/25 |  |  |  |
| 2025/26 |  |  |  |
| 2026/27 |  |  |  |

|  |  |  |  |
| --- | --- | --- | --- |
| Project name |  |  |  |
| CPM Operational Period (first year) |  |  |  |
| CPM Operational Period (final year) |  |  |  |
| CPM Operational Cost Adjustment Threshold |  |  |  |
| CPM Allowed Operational Cost | | | |
| 2024/25 |  |  |  |
| 2025/26 |  |  |  |
| 2026/27 |  |  |  |
| 2027/28 |  |  |  |
| 2028/29 |  |  |  |
| 2029/30 |  |  |  |
| 2030/31 |  |  |  |
| 2031/32 |  |  |  |
| 2032/33 |  |  |  |
| 2033/34 |  |  |  |
| 2034/35 |  |  |  |
| 2035/36 |  |  |  |
|  |  |  |  |
| 2050/51 |  |  |  |
| 2051/52 |  |  |  |

## Energy Not Supplied Compensatory Scheme pass-through (SHCPt)

Introduction

* + 1. The purpose of this condition is to calculate the term SHCPt (the compensatory payments pass-through term). This contributes to the calculation of the term PTt (the allowed pass-through term), which in turns feed into Calculated Revenue in Special Condition 2.1 (Revenue Restriction).
    2. The effect of this condition is to adjust the licensee’s revenue to reflect payments made in accordance with the ENS Compensatory Payment Statement Methodology.
    3. This condition also places obligations on the licensee with respect to that methodology.

### Formula for calculating the compensatory payments adjustment term (SHCPt)

* + 1. The value of SHCPt is derived in accordance with the following formula:

SHCPt = (DCPt + CCPt)

where:

|  |  |
| --- | --- |
| DCPt | is the sum of compensatory payments made to Domestic Customers corresponding to Loss of Supply Events, as derived in accordance with paragraph 6.3.5; and |
| CCPt | is the sum of compensatory payments made to Commercial Customers corresponding to Loss of Supply Events, as derived in accordance with paragraph 6.3.6. |

* + 1. The value of DCPt is derived in accordance with the following formula:

DCPt= (DCOSt x DC) + (EDCOSt x EDC)

where:

|  |  |
| --- | --- |
| DCOS | is the total number of Domestic Customers off supply for a period of six hours or more that are eligible for a compensatory payment under the ENS Compensatory Payment Methodology; |
| DC | is the compensatory payment for Domestic Customers set out in the ENS Compensatory Payment Methodology in force at the time of the Loss of Supply Event; |
| EDCOSt | is the total number of Domestic Customers off supply for a period of twelve hours or more that are eligible for enhanced compensatory payment under the ENS Compensatory Payment Methodology; and |
| EDCt | is the enhanced compensatory payment for Domestic Customers set out in the ENS Compensatory Payment Methodology in force at the time of the Loss of Supply Event. |

* + 1. The value of CCPt is derived in accordance with the following formula:

CCPt = (CCOSt x CC) + (ECCOSt x ECC)

where:

|  |  |
| --- | --- |
| CCOSt | is the total number of Commercial Customers off supply for a period of six hours or more that are eligible for compensatory payment under the ENS Compensatory Payment Methodology; |
| CC | is the compensatory payment for Commercial Customers set out in the ENS Compensatory Payment Methodology in force at the time of the Loss of Supply Event; |
| ECCOSt | is the total number of Commercial Customers off supply for a period of twelve hours or more that are eligible for enhanced compensatory payment under the ENS Compensatory Payment Methodology; and |
| ECC | is the enhanced compensatory payment for Commercial Customers set out in the ENS Compensatory Payment Methodology in force at the time of the Loss of Supply Event. |

### Part B: ENS Compensatory Payment Methodology

* + 1. The licensee must have in place an ENS Compensatory Payment Methodology approved by the Authority.
    2. The ENS Compensatory Payment Methodology must set out the methodology by which the licensee will:
       1. identify and contact eligible customers;
       2. calculate payment amounts; and
       3. process compensatory payments for Loss of Supply Events.
    3. The licensee must use its best endeavours to apply the ENS Compensatory Payment Methodology.
    4. The licensee must from time to time, and in any event not less than once in every period of two Regulatory Years, review and propose any revisions to the ENS Compensatory Payment Methodology as may be necessary in order to ensure that it continues to enable the identification and contacting of eligible customers, and the processing of compensatory payments.
    5. Before revising the ENS Compensatory Payment Methodology, the licensee must provide a copy of the proposed revisions to the Authority.
    6. The Authority will either:
       1. approve the proposed revisions;
       2. reject the proposed revisions; or
       3. reject the proposed revisions and give recommendations as to alternative revisions that it considers should be made.

# Legacy Adjustments

## Legacy price control adjustments (LARt)

Introduction

* + 1. The purpose of this condition is to calculate the term LARt (the legacy adjustments term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Revenue Restriction).

### Formula for calculating total legacy adjustments (LARt)

* + 1. The value of the LARt term is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
| LPTt | means the legacy pass-through term and is derived in accordance with Special Condition 7.2 (Close out of RIIO-ET1 pass through items); |
| LMODt | has the value in sheet X of the ET2 Price Control Financial Model unless the Authority directs otherwise in accordance with Special Condition 7.3 (Legacy MOD); |
| LKt | means the legacy K correction term and is derived in accordance with Special Condition 7.4 (Legacy K correction term); |
| LTRUt | means the legacy TRU term and is derived in accordance with Special Condition 7.5 (Legacy TRU term); |
| NOCOt | is derived in accordance with Special Condition 7.6 (Close out of RIIO-1 Network Outputs); |
| LSSOt | is derived in accordance with Special Condition 7.7 (Close out of the RIIO-ET1 Stakeholder Satisfaction Output); |
| LEDRt | is derived in accordance with Special Condition 7.8 (Close out of the RIIO-1 adjustment in respect of the Environmental Discretionary Reward Scheme; |
| LSFIt | is derived in accordance with Special Condition 7.9 (Close out of the RIIO-ET1 Incentive in respect of Sulphur Hexaflouride Gas Emissions Incentive); and |
| LRIt | is derived in accordance with Special Condition 7.10 (Close out of the RIIO-ET1 Reliability incentive in respect of Energy Not Supplied). |

## Close out of RIIO-ET1 pass-through items (LPTt)

Introduction

* + 1. The purpose of this condition is to calculate the LPTt term (the RIIO-ET1 pass-through items close out term). This contributes to the calculation of the LARt term (the legacy adjustments term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Revenue Restriction).
    2. The effect of this condition is to close out certain RIIO-ET1 allowed pass-through terms, such that revenue in Regulatory Years commencing on 1 April 2021 and 1 April 2022 reflects the specified pass-through costs adjustments relating to Regulatory Years commencing on 1 April 2019 and 1 April 2020 respectively.

### Formula for calculating the RIIO-ET1 Reliability Incentive close-out term (LPTt)

* + 1. For Regulatory Years commencing on 1 April 2021 and 1 April 2022, the value of LPTt is derived in accordance with the following formula:

*LPTt = LLFt + LTPDt*

where

|  |  |
| --- | --- |
| *LLFt* | has the value of LFt as determined in accordance with Part B of Special Condition 3B (Calculation of allowed pass-through items) of this licence as in force on 31 March 2021. |
| *LTPDt* | has the value of TPDt as determined in accordance with Part D Special Condition 3B (Calculation of allowed pass-through items) of this licence as in force on 31 March 2021. |

* + 1. For Regulatory Years commencing on or after 1 April 2023, the value of LPTt is equal to zero.

## Legacy MOD (LMODt)

Introduction

* + 1. This condition explains the process the Authority will follow when directing values for the term LMODt (the legacy MOD term). This contributes to the calculation of the term LARt (the legacy adjustments term), which in turn feeds into the Calculated Revenue in Special Condition 2.1 (Revenue Restriction).
    2. The effect is to reflect the close out of the RIIO-1 Price Control Financial Model.

### Authority Assessment and direction

* + 1. The Authority will direct revisions to LMODt, coinciding with the Annual Iteration Process.
    2. Before making a direction under paragraph 7.3.3 the Authority will publish on the Authority's Website:
       1. the text of the proposed direction;
       2. the reasons for the proposed direction; and
       3. a period during which representations may be made on the proposed direction, which will not be less than 28 days.

## Legacy K correction (LKt)

Introduction

* + 1. The purpose of this condition is to calculate the term LKt (the legacy correction term). This contributes to the calculation of the term LARt (the legacy adjustments term), which in turn feeds into the Calculated Revenue in Special Condition 2.1 (Revenue Restriction).
    2. The effect of this condition is to close out the RIIO-1 correction term such that revenue in the Regulatory Years commencing on 1 April 2021 and 1 April 2022 reflect correction values relating to Regulatory Years commencing on 1 April 2019 and 1 April 2020 respectively.

### Formula for calculating the legacy correction term (LKt)

* + 1. For the Regulatory Years commencing on 1 April 2021 and 1 April 2022, the value of LK has the value of K as determined in accordance with Part E of Special Condition 3A (Restriction of Transmission Network Revenue) of this licence as in force on 31 March 2021.
    2. The value of LKt for Regulatory Years commencing on or after 1 April 2023 is zero.

## Legacy TRU Term (LTRUt)

Introduction

* + 1. The purpose of this condition is to calculate the term LTRUt (the legacy TRU term). This contributes to the calculation of the term LARt (the legacy adjustments term), which in turn feeds into the Calculated Revenue in Special Condition 2.1 (Revenue Restriction).
    2. The effect of this condition is to close out the RIIO-1 TRU term such that revenue in the Regulatory Years commencing on 1 April 2021 and 1 April 2022 reflect TRU adjustments relating to Regulatory Years commencing on 1 April 2019 and 1 April 2020 respectively.

### Formula for calculating the legacy TRU term (LTRUt)

* + 1. For the Regulatory Years commencing on 1 April 2021 and 1 April 2022, the value of LTRUt is equivalent to TRUt as determined in accordance with Part C of Special Condition 3A (Restriction of Transmission Network Revenue) of this licence as in force on 31 March 2021.
    2. The value of LTRUt for Regulatory Years commencing on or after 1 April 2023 is zero.

## Close out of RIIO-1 Network Outputs (NOCOt)

Introduction

* + 1. The purpose of this condition is to set out the process for deciding the term NOCOt (the RIIO-1 Network Outputs close out term). This contributes to the calculation of the LARt term (the legacy adjustment term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Revenue Restriction).
    2. The effect of this condition is to adjust the licensee's revenue to reflect its RIIO-1 Network Outputs delivery.

### Part A: RIIO-1 Network Outputs information to be provided by the licensee

* + 1. By 31 July 2021, the licensee must provide to the Authority a report consistent with the requirements of the NOMs Incentive Methodology which sets out why it considers that it has delivered:
       1. any RIIO-1 Network Output in accordance with the relevant specifications; and
       2. any RIIO-1 Materially Equivalent Outputs; and
       3. any RIIO-1 Justified Material Over-delivery or Under-delivery.

### Process for directing the RIIO-1 Network Outputs close out term (NOCOt)

* + 1. The Authority will assess the licensee's RIIO-1 Network Outputs delivery in accordance with the principles in Appendix 1, which are further clarified and supplemented by the NOMs Incentive Methodology.
    2. Before directing the value of NOCOt, the Authority will publish on the Authority's Website:
       1. the text of the proposed direction;
       2. the reasons why it proposes to issue the direction; and
       3. a period during which representations may be made on the proposed direction, which will not be less than 28 days.

Treatment of under-delivery and over-delivery of RIIO-1 Network Outputs

|  |  |  |
| --- | --- | --- |
| Incentives | Justified | Unjustified |
| Over-delivery | Cost of over-delivery will be included in the licensee's revenue.  The financing cost incurred by the licensee in advancing investment will be reimbursed.  Reward of 2.5 per cent of the additional costs associated with the material over-delivery. | Cost of over-delivery will be included in the licensee's revenue.  The licensee will incur the financing cost of earlier investment. |
| Under-delivery | Cost of under-delivery will be excluded from the licensee's revenue.  The licensee will benefit from the financing cost of delayed investment. | Cost of under-delivery will be excluded from the licensee's revenue.  The benefit arising to the licensee from the financing cost of delayed investment will be clawed back.  Penalty of 2.5 per cent of the avoided costs associated with the material under-delivery. |

## Close out of RIIO-ET1 Stakeholder Satisfaction Output (LSSOt)

Introduction [SPT and SHET]

*[The close out of the Stakeholder satisfaction output for SHET and SPT’s licence]*

* + 1. The purpose of this condition is to calculate the term LSSOt (the RIIO-ET1 Stakeholder Satisfaction Output close out term). This contributes to the calculation of the LARt term (the legacy adjustments term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Revenue Restriction).
    2. The effect of this condition is to close out the RIIO-ET1 Stakeholder Satisfaction Output.
    3. This condition also:
       1. sets out the process the Authority will follow when amending the Stakeholder Engagement Reward Guidance;
       2. requires the licensee to maintain Key Performance Indicators until 1 April 2022; and
       3. requires the licensee to maintain an External Assurance Methodology and Terms of Reference until 1 April 2022.

### Formula for calculating the RIIO-ET1 Stakeholder Satisfaction Output close out term (LSSOt)

* + 1. The value of LSSOt is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
| SERt | is derived in accordance with Part B; and |
| SSIt | is derived in accordance with Part D. |

* + 1. This condition will cease to have effect on 1 April 2022.

### Direction of the Stakeholder Engagement Reward term (SERt)

* + 1. The licensee may apply to the Authority for a direction adjusting the value of the SERt term in accordance with the Stakeholder Engagement Reward Guidance published on the Authority's Website.
    2. The maximum value of SERt that the Authority will direct is 0.5 per cent of Base Transmission Revenue as calculated in accordance with Part C of Special Condition 3A (Restriction of Transmission Network Revenue) as in force on 31 March 2021.

### Amendments to the Stakeholder Engagement Reward Guidance

* + 1. The Authority will amend the Stakeholder Engagement Reward Guidance by direction.
    2. Before amending the Stakeholder Engagement Reward Guidance by direction, the Authority will publish on the Authority's Website:
       1. the text of the amended Stakeholder Engagement Reward Guidance;
       2. the date on which the Authority intends the amended Stakeholder Engagement Reward Guidance to come into effect;
       3. the reasons for the amendments to the Stakeholder Engagement Reward Guidance; and
       4. a period during which representations may be made on the amendments to the Stakeholder Engagement Reward Guidance, which will not be less than 28 days.

### Formula for calculating the Stakeholder Satisfaction Incentive term (SSIt)

* + 1. The value of SSIt is derived in accordance with the following formula:

where:

|  |  |  |  |
| --- | --- | --- | --- |
| SSt | | is derived in accordance with the following formula: | |
|  | | If SSCt-2> SST:  SSt  If SSCt< SST:  SSt  otherwise:  SSt = 0  where  SST is the Stakeholder Satisfaction Survey target, and has the value 7.4;  SSCAP is the Stakeholder Satisfaction Survey cap and has the value 9;  SSUPA is the stakeholder satisfaction maximum upside percentage point adjustment and has the value 1;  SSCOL is the Stakeholder Satisfaction Survey collar and has the value 5.8;  SSDPA is the stakeholder satisfaction maximum downside percentage point adjustment, and has the value -1;  SSCt is the licensee’s Stakeholder Satisfaction Score, being a value between 1 and 10 inclusive, based on responses to the question in relation to overall stakeholder satisfaction; | |
| SSPROt | | is the proportion of the Stakeholder Satisfaction Incentive which will be based on the Stakeholder Satisfaction Survey, which has the value of 0.6; | |
| SKPIt | | is derived in accordance with the following formula:  If SKPICt> SKPIT:  SKPIt  If SKPICt-2< SKPIT:  SKPIt  otherwise:  SKPIt = 0  where  SKPIT is the Key Performance Indicators target, and has the value 69;  SKPICAP is the Key Performance Indicators cap and has the value 85;  SKPIUPA is the Key Performance Indicators maximum upside percentage point adjustment and has the value 1;  SKPICOL is the Key Performance Indicators collar and has the value 53;  SKPIDPA is the Key Performance Indicators maximum downside percentage point adjustment, and has the value -1;  SKPICt is the licensee’s measured score against its Key Performance Indicators, being a value between 0 and 100 inclusive; | |
| SKPIPROt- | | is the proportion of the Stakeholder Satisfaction Incentive based on the Key Performance Indicators and has the value of 0.3; | |
| SEAt | | means the adjustment in respect of the licensee’s performance in its External Assurance of its Stakeholder Engagement and has the value specified in the following table:   |  |  | | --- | --- | | SEA Band | SEAt value | | Non-Compliant with stakeholder strategy | -1.0 | | Compliant with stakeholder strategy | 0.5 | | Exceeding stakeholder strategy | 1.0; | | |
| SEAPROt | | is the proportion of the Stakeholder Satisfaction Incentive based on the stakeholder External Assurance, and has the value of 0.1; and | |

|  |  |
| --- | --- |
| R1BRt | means the amount of Base Transmission Revenue as calculated in accordance with Part C of Special Condition 3A (Restriction of Transmission Network Revenue) as in force on 31 March 2021. |

### Key Performance Indicators

* + 1. The licensee must have in place Key Performance Indicators approved by the Authority.
    2. The licensee may make revisions to its Key Performance Indicators that it considers necessary to ensure the Key Performance Indicators continue to provide an objective measure of the service provided.
    3. Before revising the Key Performance Indictors the licensee must submit to the Authority a report setting out:
       1. the proposed revisions to its Key Performance Indicators;
       2. details of the consultation undertaken with stakeholders on the proposed revisions;
       3. any representations made to the licensee in respect of the Key Performance Indicators or the proposed revisions;
       4. how the proposed revisions provide a better measure of the service provided, including an explanation of the additions or removals proposed and how these improve the Key Performance Indicators; and
       5. a timetable for implementation of the proposed revisions.
    4. The Authority will either:
       1. approve the proposed revisions;
       2. reject the proposed revisions; or
       3. reject the proposed revisions and give recommendations as to alternative revisions which it considers should be made with a date by which the licensee is required to submit those revisions.

### External Assurance Methodology and Terms of Reference

* + 1. The licensee must have in place an External Assurance Methodology and Terms of Reference approved by the Authority.
    2. The licensee may make revisions to its External Assurance Methodology and Terms of Reference to ensure that they provide an objective measure of the inclusion of stakeholder views.
    3. Before revising the External Assurance Methodology and Terms of Reference the licensee must submit to the Authority a report setting out:
       1. the proposed revisions to the External Assurance Methodology and Terms of Reference;
       2. the details of consultation undertaken with stakeholders on the proposed revisions;
       3. any representations made to the licensee in respect of the External Assurance Methodology and Terms of Reference or the proposed revisions;
       4. how the proposed revisions provide a better assessment of the inclusion of stakeholder views, including an explanation of the revisions proposed and how these improve the assessment of stakeholder views; and
       5. a timetable for the implementation of the proposed revisions.
    4. The Authority will either:
       1. approve the proposed revisions;
       2. reject the proposed revisions; or
       3. reject the proposed revisions and give recommendations as to alternative revisions which it considers should be made with a date by which the licensee is required to submit those revisions.

Introduction [NGET only]

*[The close out of the Stakeholder satisfaction output for NGET’s licence]*

* + 1. The purpose of this condition is to calculate the LSSOt term (the RIIO-ET1 Stakeholder Satisfaction Output). This contributes to the calculation of the LARt term (the legacy adjustments term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Revenue Restriction).
    2. The effect of this condition is to close out the RIIO-ET1 Stakeholder Satisfaction Output.

### Formula for calculating the RIIO-ET1 Stakeholder Satisfaction Output term (LSSOt)

* + 1. The LSSOt term is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
| SERt | means the adjustment to the licensee's revenue in respect of the licensee’s performance in the Regulatory Year 2020/2021 derived in accordance with Part B; and |
| SSSt | means the adjustment to the licensee's revenue in respect of the licensee’s performance in the Regulatory Year 2020/2021 derived in accordance with under Part D. |

* + 1. This condition will cease to have effect on 1 April 2022.

### Direction of the Stakeholder Engagement Reward term (SERt)

* + 1. The licensee may apply to the Authority for a direction adjusting the value of the SERt term in accordance with the Stakeholder Engagement Reward Guidance published on the Authority's Website.
    2. The maximum value of SERt that the Authority will direct is equal to 0.5 per cent of Base Transmission Revenue in Regulatory Year t as calculated in accordance with Part C of Special Condition 3A (Restriction of Transmission Network Revenue) as in force on 31 March 2021.

### Modification of the Stakeholder Engagement Reward Guidance

* + 1. The Authority will modify the Stakeholder Engagement Reward Guidance by direction.
    2. Before amending the Stakeholder Engagement Reward Guidance by direction, the Authority will publish on the Authority's Website:
       1. the text of the amended Stakeholder Engagement Reward Guidance;
       2. the date on which the Authority intends the amended Stakeholder Engagement Reward Guidance to come into effect;
       3. the reasons for the amendments to the Stakeholder Engagement Reward Guidance; and
       4. a period during which representations may be made on the amendments to the Stakeholder Engagement Reward Guidance, which will not be less than 28 days.

### Formula for calculating the Customer and Stakeholder Satisfaction Incentive (SSSt)

* + 1. The SSSt term is derived in accordance with the following formula:

where:

CSSAFt means the adjustment factor in respect of the licensee’s performance in the Customer Satisfaction Survey and is derived in accordance with the following formula:

If CSSPt> CSST:

CSSAF(t)=min(CSSUPA,CSSUPA×[(CSSP\_(t-2)-CSST)/(CSSCAP-CSST)])

If CSSPt< CSST:

CSSAFt=max(CSSDPA,CSSDPA×[(CSST-CSSP\_(t))/(CSST-CSSCOL)])

otherwise:

CSSAFt = 0

where:

CSST is the customer satisfaction survey target, and has the value 6.9;

CSSCAP is the customer satisfaction survey cap, and has the value 8.5;

CSSUPA is the customer satisfaction maximum upside percentage adjustment, and has the value 1%;

CSSCOL is the customer satisfaction survey collar, and has the value of 5.3;

CSSDPA is the customer satisfaction maximum downside percentage adjustment, and has the value -1%;

CSSPt is the overall customer satisfaction survey result;SSSAFt means the adjustment factor in respect of the licensee’s performance in the Stakeholder Satisfaction Survey and is derived in accordance with the following formula:

If SSSPt> SSST:

SSSAFt=min(SSSUPA,SSSUPA×[(SSSPt-SSST)/(SSSCAP-SSST)])

If SSSPt< SSST:

SSSAFt=max(SSSDPA,SSSDPA×[(SSST-SSSPt)/(SSST-SSSCOL)])

otherwise:

SSSAFt = 0

where:

SSST is the stakeholder satisfaction survey target, and has the value 7.4;

SSSCAP is the stakeholder satisfaction survey cap and has the value 9;

SSSUPA is the stakeholder satisfaction maximum upside percentage adjustment and has the value 1%;

SSSCOL is the stakeholder satisfaction survey collar and has the value 5.8;

SSSDPA is the stakeholder satisfaction maximum downside percentage adjustment, and has the value -1%;

SSSPt is the overall stakeholder satisfaction survey result;

CSSPROt is the proportion of the Customer and Stakeholder Satisfaction Incentive which will be based on the Customer Satisfaction Survey and has the value 0.7;

SSSPROt-2 is the proportion of the Customer and Stakeholder Satisfaction Incentive which will be based on the stakeholder satisfaction survey and is derived from the following formula:

SSSPROt = 1 - CSSPROt

|  |  |
| --- | --- |
| R1BRt | means the amount of Base Transmission Revenue as calculated in accordance with Part C of Special Condition 3A (Restriction of Transmission Network Revenue) as in force on 31 March 2021. |

## Close out of the RIIO-1 adjustment in respect of the Environmental Discretionary Reward Scheme (LEDRt)

Introduction

* + 1. The purpose of this condition is to direct the term LEDRt (the Environmental Discretionary Reward Scheme close out term). This contributes to the calculation of the LARt term (the legacy adjustments term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Revenue Restriction).
    2. The effect of the condition is to close out the RIIO-ET1 Environmental Discretionary Reward Scheme.
    3. This condition also sets out the process the Authority will follow when amending the Environmental Discretionary Reward Scheme Guidance.

### Direction of the Environmental Discretionary Reward Scheme close out term (LEDRt)

* + 1. The licensee may apply to the Authority for a direction adjusting the value of the LEDRt term for Regulatory Year 2021/22 in accordance with the Environmental Discretionary Reward Scheme Guidance.
    2. This condition will cease to have effect on 1 April 2022.

### Amendments to the Environmental Discretionary Reward Scheme Guidance

* + 1. The Authority will amend the Environmental Discretionary Reward Scheme Guidance by direction.
    2. Before amending the Environmental Discretionary Reward Scheme Guidance by direction, the Authority will publish on the Authority's website:
       1. the text of the amended Environmental Discretionary Reward Scheme Guidance;
       2. the date on which the Authority intends the amended Environmental Discretionary Reward Scheme Guidance to come into effect;
       3. the reasons for the amendments to the Environmental Discretionary Reward Scheme Guidance; and
       4. a period during which representations may be made on the amendments to the Environmental Discretionary Reward Scheme Guidance, which will not be less than 28 days.

## Close out of RIIO-ET1 Incentive in Respect of Sulphur Hexafluoride Gas Emissions incentive (LSFIt)

Introduction

* + 1. The purpose of this condition is to calculate the LSFIt term (the RIIO-ET1 Sulphur Hexafluoride incentive close-out term). This contributes to the calculation of the LARt term (the legacy adjustments term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Revenue Restriction).
    2. The effect of this condition is to close out the RIIO-ET1 Incentive in respect of Sulphur Hexafluoride Gas Emissions, such that revenue in Regulatory Years commencing on 1 April 2021 and 1 April 2022 reflect the licensee’s performance under that incentive in Regulatory Years commencing on 1 April 2019 and on 1 April 2020 respectively.

### Formula for calculating the RIIO-ET1 Sulphur Hexafluoride Incentive close-out term (LSFIt)

* + 1. For the Regulatory Years commencing on 1 April 2021 and on 1 April 2022, the value of LSFIt is calculated in accordance with Part A of Special Condition 3E (Incentive in Respect of Sulphur Hexafluoride (SF6) Gas Emissions) of this licence as in force on 31 March 2021.
    2. For Regulatory Years commencing on or after 1 April 2023, the value of LSFI is equal to zero.

## Close out of RIIO-ET1 Reliability incentive in respect of Energy not Supplied (LRIt)

Introduction

* + 1. The purpose of this condition is to calculate the LRIt term (the RIIO-ET1 Reliability Incentive close-out term). This contributes to the calculation of the LARt term (the legacy adjustments term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Revenue Restriction).
    2. The effect of this condition is to close out the RIIO-ET1 Reliability Incentive in Respect of Energy Not Supplied, such that revenue in the Regulatory Years commencing on 1 April 2021 and on 1 April 2022 reflect the licensee’s performance under that incentive in the Regulatory Years commencing on 1 April 2019 and on 1 April 2020 respectively.

### Formula for calculating the RIIO-ET1 Reliability Incentive close-out term (LRIt)

* + 1. For Regulatory Years commencing 1 April 2021 and 1 April 2022, the value of LRIt is equal to the value of RIt calculated in accordance with Part A of Special Condition 3C (Reliability Incentive Adjustment in Respect of Energy Not Supplied) as in force on 31 March 2021.
    2. For Regulatory Years commencing on or after 1 April 2023, the value of LRI is equal to zero.

## Close out of RIIO-1 Network Innovation Competition

Introduction

* + 1. The Network Innovation Competition ran during the RIIO-1 price control period to fund innovative low carbon or environmental projects. Although it will no longer run for the licensee from 1 April 2021, this condition makes provision for arrangements relating to the regulation, administration and governance of NIC Funding transferred before 1 April 2021.

### The Funding Return Mechanism

* + 1. The Authority may direct how Returned Project Revenues should be paid to customers through the Funding Return Mechanism, or where the Authority considers it to be appropriate, how they should be retained by the licensee.
    2. In each Regulatory Year, in accordance with the appropriate provisions of the NIC Governance Document, the Authority will calculate and then, by direction given to the licensee, specify:
       1. the amount of any Funding Return that the licensee must pay to the NTS Operator; and
       2. the manner in which and the timescale over which the licensee must pay that amount.

### The NIC Governance Document

* + 1. The licensee must comply with the NIC Governance Document.
    2. The Authority will amend the NIC Governance Document by direction.
    3. The Authority will publish the NIC Governance Document on the Authority's Website.
    4. The NIC Governance Document makes and will continue to make provision about:
       1. the process and procedures that will be in place for the assessment, approval, and financing of project funding (where necessary);
       2. arrangements to ensure that relevant matters the licensee learned from the implementation of Eligible NIC Projects can be captured and disseminated by the licensee to other electricity Transmission Licensees and Electricity Distribution Licensees;
       3. the nature of the reporting obligations in respect of such projects (which may include reporting in respect of the funding and the completion of such projects, as well as reporting on compliance with this condition and the provisions of the NIC Governance Document);
       4. arrangements relating to the treatment of intellectual property rights including Returned Royalty Income in respect of Eligible NIC Projects; and
       5. any other matters the Authority considers appropriate.

### Procedure for amending the NIC Governance Document

* + 1. Before amending the NIC Governance Document by direction, the Authority will publish on the Authority's Website:
       1. the text of the amended NIC Governance Document;
       2. the date on which the Authority intends the amended NIC Governance Document to come into effect;
       3. the reasons for the amendments to the NIC Governance Document; and
       4. a period during which representations may be made on the amendments to the NIC Governance Document, which will not be less than 28 days.

# Governance

## Governance of the ET2 Price Control Financial Instruments

Introduction

* + 1. The purpose of this condition is to establish a robust and transparent change control framework for each of the following ET2 Price Control Financial Instruments:
       1. the ET2 Price Control Financial Handbook; and
       2. the ET2 Price Control Financial Model.

Part A: Assessment of the likely impact of an intended modification

* + 1. Before initiating any modification of a ET2 Price Control Financial Instrument, the Authority will assess whether that modification would be likely to have a significant impact on any of the following persons:
       1. the licensee;
       2. any other electricity transmission licensee in whose licence a condition equivalent to this one has effect;
       3. any person engaged in the shipping, transportation, or supply of gas conveyed through pipes or in the generation, transmission, distribution, or supply of electricity; and
       4. energy consumers (whether considered individually, as a whole, or by reference to any class or category of them) in Great Britain.
    2. In making the assessment required by paragraph 8.1.2, the Authority will have regard to all relevant factors including:
       1. any impact which an intended modification would be likely to have on any component of the licensee’s Allowed Revenue or on any value, rate, time period, or calculation used in the determination of Allowed Revenues; and
       2. in respect of modifications to the ET2 Price Control Financial Model, any views expressed by the ET2 Price Control Financial Model Working Group.
    3. For the purposes of paragraph 8.1.2, it is to be presumed that a modification which serves to correct a manifest error contained in a ET2 Price Control Financial Instrument will not have a significant impact on any of the persons mentioned in that paragraph.

Part B: Circumstances in which a modification may be made

* + 1. If, having carried out the required assessment under Part A, the Authority considers that an intended modification of a ET2 Price Control Financial Instrument would not be likely to have a significant impact on any of the persons mentioned in paragraph 8.1.2, it may modify that instrument by direction. Otherwise any modification will be made under section 23 of the Act.
    2. Before making a direction under paragraph 8.1.5, the Authority will publish on the Authority's Website:
       1. the text of the proposed direction;
       2. the reasons for the proposed direction, including why the Authority believes that the modification would not be likely to have a significant impact on any of the persons mentioned in paragraph 8.1.2; and
       3. a period during which representations may be made on the proposed direction, which will not be less than 28 days.
    3. A direction under paragraph 8.1.5 will set out:
       1. the modifications to the Price Control Finance Instruments; and
       2. the date from which it is to have effect or the mechanism by which that date is to be determined.

Part C: Availability and updating of ET2 Price Control Financial Instruments

* + 1. This Part has effect in relation to the publication and availability of the ET2 Price Control Financial Handbook, and the ET2 Price Control Financial Model.
    2. The Authority will ensure that any modifications of the ET2 Price Control Financial Handbook, whether under Part B or otherwise, are promptly incorporated into a consolidated version of the ET2 Price Control Financial Handbook maintained on the Authority’s Website.
    3. The Authority will ensure that any modifications of the ET2 Price Control Financial Model, whether under Part B or otherwise, are promptly incorporated into a consolidated version of the ET2 Price Control Financial Model maintained on the Authority’s Website.
    4. Without limiting the general effect of paragraph 8.1.10, the Authority will, by no later than 30 November in each Regulatory Year:
       1. publish on the Authority’s Website, in Microsoft Excel ® format, the version of the ET2 Price Control Financial Model that will be used to determine the value of the term ARt for the purposes of Part C of Special Condition 2.1 (Revenue Restriction);
       2. ensure that the electronic name of the file is “ET2 PCFM” followed by “November 20XX” where 20XX represents the calendar year containing the month of November prior to the Regulatory Year t;
       3. ensure that the words “ET2 Price Control Financial Model for the Annual Iteration Process that will take place by 30 November” followed by the preceding Regulatory Year expressed in the format 20XX/XX are included as text within the file itself; and
       4. publish an up-to-date schedule of any modifications that have been made to the ET2 Price Control Financial Model, whether under Part B or otherwise, up to and including the date of such publication.
    5. The first Regulatory Year in which the Authority will publish a version of the ET2 Price Control Financial Model on the Authority’s Website for the purposes of paragraph 8.1.11 will be Regulatory Year 2021/22 and the last Regulatory Year will be 2024/25.

## Annual Iteration Process for the ET2 Price Control Financial Model

### Introduction

* + 1. The purpose of this condition is to set out the steps of the Annual Iteration Process that will be carried out by the licensee and the Authority each year in relation to the ET2 Price Control Financial Model, in order to determine the value of the term ARt for the purposes of Special Condition 2.1 (Revenue Restriction).
    2. This condition also explains the process the Authority will follow in issuing and amending the PCFM Guidance.

Part A: Steps comprising the Annual Iteration Process

* + 1. The paragraphs in this Part set out the steps that comprise the Annual Iteration Process.
    2. Step 1: The licensee must, by 31 July prior to each Regulatory Year:
       1. complete the PCFM Variable Values Table with the PCFM Variable Values in accordance with the PCFM Guidance;
       2. run the ET2 Price Control Financial Model to calculate the term ARt;
       3. save the ET2 Price Control Financial Model; and
       4. submit the ET2 Price Control Financial Model to the Authority.
    3. Step 2: The Authority will, taking into account any decisions made by it in relation to PCFM Variable Values under Chapters 2 to 7:
       1. review the ET2 Price Control Financial Model submitted by the licensee and confirm or amend any PCFM Variable Values; or
       2. where the licensee has not complied with Step 1, complete the PCFM Variable Values Table.
    4. Step 3: The Authority will run the ET2 Price Control Financial Model to calculate the term ARt.
    5. Step 4: The Authority will publish the value of the term ARt on the Authority's Website in accordance with Part B.
    6. In relation to Step 1 in paragraph 8.2.5:
       1. where a PCFM Variable Value is not known at the time of submission, the licensee must calculate that value in accordance with the ET2 Price Control Financial Handbook or the PCFM Guidance, as applicable and otherwise provide its best estimate using the information available at the time; and
       2. where any PCFM Variable Value relies on a third-party publication that ceases to be published or no longer contains the value required, the value from the most recent publication that did contain the value must be used.

Part B: Publication of the value of the term ARt

* + 1. The value of the term ARt will be published by the Authority no later than 30 November prior to each Regulatory Year.
    2. Before publishing the value of the term ARt, the Authority will:
       1. send to the licensee:
          1. a notice stating the value for ARt that it proposes to publish; and
          2. a copy of the ET2 Price Control Financial Model, which will contain the data used to calculate the value proposed for ARt; and
       2. specify a period during which representations may be made on the value of ARt, which will not be less than 14 days.

Part C: What if the Annual Iteration Process is not completed by 30 November?

* + 1. If the Authority does not publish a value for ARt by 30 November prior to any Regulatory Year, then the Annual Iteration Process will not have been completed and the provisions set out in paragraphs 8.2.13 and 8.2.14 will apply.
    2. The Authority will complete the Annual Iteration Process as soon as is practicable after 30 November by publishing a value for ARt.
    3. In the intervening period (between the 30 November and the date on which the value of ARt is published under paragraph 10B.11), the value of ARt will be held to be equal to a value ascertained by:
       1. taking a copy of the ET2 Price Control Financial Model in its state following the last completed Annual Iteration Process which, for the avoidance of doubt, will exclude the effect of any functional modifications under Special Condition 8.1 (Governance of the ET2 Price Control Financial Instruments) made after the completion of that Annual Iteration Process;
       2. using the selection facilities on the user interface sheet contained in that copy to select:
          1. the name of the licensee; and
          2. the Regulatory Year equating to the Regulatory Year t; and
       3. recording the value of the term ARt for the licensee that is shown as an output value.

Part D The final year of the ET2 Annual Iteration Process and other clarifications

* + 1. The last Regulatory Year in which there will be an Annual Iteration Process for the ET2 Price Control Financial Model is 2024/2025 for the purpose of determining the value of the term ARt for Regulatory Year 2025/26.
    2. For the avoidance of doubt, neither:
       1. an Annual Iteration Process for the ET2 Price Control Financial Model carried out in accordance with this condition, including in particular the steps set out in Part A; nor
       2. a change to the Regulatory Year included in the name of and text within the ET2 Price Control Financial Model (as referred to at paragraphs 8.1.11 (b) and (c)) of Special Condition 8.1 (Governance of the ET2 Price Control Financial Instruments),

will constitute a modification of the ET2 Price Control Financial Model within the meaning of Part B of Special Condition 8.1.

* + 1. Where any PCFM Variable Values are revised for years earlier than Regulatory Year t, the effect of using those revised values in the Annual Iteration Process will, subject to a Time Value of Money Adjustment, be reflected in the calculation of the term ARt for Regulatory Year t and, for the avoidance of doubt, it will not have any retrospective effect on a previously published value of the term ARt.

Part E The PCFM Guidance

* + 1. The licensee must comply with the PCFM Guidance when completing the Annual Iteration Process.
    2. The Authority will issue and amend PCFM Guidance by direction.
    3. The Authority will publish the PCFM Guidance on the Authority's Website.
    4. The PCFM Guidance will make provision about:
       1. instructions and guidance on how to populate the PCFM Variable Values for submission for an Annual Iteration Process;
       2. instructions and guidance on the process and timeframe for reporting and submitting the required data; and
       3. any requirements for supporting information, documentation or commentary that are to be submitted.
    5. Before directing that the PCFM Guidance comes into effect, the Authority will publish on the Authority's Website:
       1. the text of the proposed PCFM Guidance;
       2. the date on which the Authority intends the PCFM Guidance to come into effect; and
       3. a period during which representations may be made on the content of the PCFM Guidance, which will not be less than 28 days.
    6. Before directing an amendment to the PCFM Guidance, the Authority will publish on the Authority's Website:
       1. the text of the proposed amended PCFM Guidance;
       2. the date on which the Authority intends the amended PCFM Guidance to come into effect;
       3. the reasons for the amendments to the PCFM Guidance; and
       4. a period during which representations may be made on the amendments to the PCFM Guidance, which will not be less than 28 days.

# General Obligations

## Annual Environmental Report

Introduction

* + 1. This condition requires the licensee to prepare and publish an Annual Environmental Report.
    2. The purpose of an Annual Environmental Report is to increase the public transparency and accountability of the licensee in relation to the impacts of its business and network activities on the environment, and the licensee's progress against its Environmental Action Plan commitments.
    3. This condition also explains the process the Authority will follow in issuing and amending Environmental Reporting Guidance, which the licensee must comply with when preparing its Annual Environmental Report.

### Requirement to prepare and publish an Annual Environmental Report

* + 1. The licensee must prepare an Annual Environmental Report in accordance with the Environmental Reporting Guidance (as amended from time to time).
    2. The licensee must publish an Annual Environmental Report for the preceding Regulatory Year on, or before, the date specified in the Environmental Reporting Guidance.
    3. The licensee must ensure its Annual Environmental Report is readily accessible to the public from the licensee’s website.

### Environmental Reporting Guidance

* + 1. The Authority will issue and amend Environmental Reporting Guidance by direction.
    2. The Authority will publish Environmental Reporting Guidance on the Authority's Website.
    3. The Environmental Reporting Guidance will set out how the licensee must prepare its Annual Environmental Report, including the following:
       1. the engagement the licensee is required to undertake with stakeholders to help inform the development of its Annual Environmental Report;
       2. the requirements for the structure and level of detail to be included in the Annual Environmental Report, including some of the data metrics to be used, as well as expectations about the level of explanatory text to be included; and
       3. the environmental impacts, relevant Environmental Action Plan Commitments, business practices, existing obligations and activities that must be covered in the Annual Environmental Report.
    4. Before issuing the Environmental Reporting Guidance by direction, the Authority will publish on the Authority's Website:
       1. the text of the proposed Environmental Reporting Guidance;
       2. the date on which the Authority intends the Environmental Reporting Guidance to come into effect; and
       3. a period during which representations may be made on the content of the Environmental Reporting Guidance, which will not be less than 28 days.
    5. Before amending the Environmental Reporting Guidance by direction, the Authority will publish on the Authority's Website:
       1. the text of the amended Environmental Reporting Guidance;
       2. the date on which the Authority intends the amended Environmental Reporting Guidance to come into effect;
       3. the reasons for the amendments to the Environmental Reporting Guidance; and
       4. a period during which representations may be made on the amendments to the Environmental Reporting Guidance, which will not be less than 28 days.

## Network Asset Risk Metric Methodology

Introduction

* + 1. The purpose of this condition is to set out the requirements on the licensee in respect of the NARM Methodology.
    2. It also sets out the process for modifying the NARM Methodology.

### Part A: Requirement to have a NARM Methodology

* + 1. The licensee must have in place and act in accordance with a NARM Methodology that facilitates the achievement of the NARM Objectives.

### Part B: The NARM Objectives

* + 1. The NARM Objectives are:
       1. to provide transparent and logical links between:
          1. the Asset Data that the licensee collects through inspections, maintenance, and other asset management activities;
          2. the data that the licensee inputs into its Asset Management Systems;
          3. the licensee's asset management decisions; and
          4. where relevant, the licensee's whole system investment decisions;
       2. to enable the Authority to establish the licensee's Baseline Network Risk Outputs and to undertake an objective assessment of the licensee's Baseline Network Risk Output delivery;
       3. to enable the robust estimation of Current, Forecast, Single-year, and Long-term Monetised Risk of asset failure for:
          1. each NARM Asset Category;
          2. individual NARM Assets within each NARM Asset Category; and
          3. the licensee's Transmission System;
       4. to enable the robust estimation of the Current and Long-term Monetised Risk Benefits delivered, or expected to be delivered, through interventions on specific assets and/or groups of assets;
       5. to explain and justify, through Cost-Benefit Analysis:
          1. the licensee's investment plans for managing and renewing its NARM Assets; and
          2. the licensee's outturn delivery of investment options;
       6. to enable the identification and quantification of drivers leading to changes in Monetised Risk over time;
       7. to enable the comparative analysis of Monetised Risk between:
          1. different NARM Asset Categories and between individual NARM Assets on the licensee's Transmission System;
          2. geographic areas of, and NARM Assets within, the licensee’s Transmission System;
          3. the licensee’s Transmission System and other networks within the same sector;
          4. the licensee's Transmission System and networks outside Great Britain with similar assets should similar approaches as set out in the NARM Methodology be applied to estimate Monetised Risk for those networks; and
          5. the Transmission Systems and Distribution Systems within Great Britain; and
       8. to enable the communication to the Authority and other interested parties of relevant information about the licensee’s Transmission System in an accessible and transparent manner.

### Modification of the NARM Methodology

* + 1. The licensee must, at least once every year, review the NARM Methodology to identify scope for modifications that would better facilitate the achievement of the NARM Objectives.
    2. Where the licensee has identified scope for modifications that better facilitate the achievement of the NARM Objectives, it must notify the Authority of the timeframes within which it will propose the relevant modifications to the NARM Methodology.
    3. Where the licensee proposes a modification to the NARM Methodology, it must:
       1. consult other 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 any representations on the proposed modification; and
       2. submit to the Authority a report containing:
          1. a statement explaining the proposed modification to the NARM Methodology; and
          2. an explanation of how, in the licensee’s opinion, the proposed modification, if made, would better facilitate the achievement of the NARM Objectives;
       3. a draft NARM Methodology that incorporates the proposed modification;
       4. any relevant subsidiary or supporting documents, data files, or quantitative models;
       5. a full and fair summary of any representations that were made to the licensee pursuant to paragraph sub-paragraph (a) above and not withdrawn;
       6. an explanation of any changes to the modification proposal that the licensee has made as a consequence of the representations received;
       7. a presentation of the data and any other relevant information (including historical data, which should be provided, where reasonably practicable and relevant, for a period of at least ten years prior to the date of the modification proposal) the licensee has used for the purpose of developing the proposed modification;
       8. a plan setting out how the licensee intends to Rebase its Baseline Network Risk Outputs, if Rebasing is a necessary consequence of implementing the proposed modification; and
       9. a timetable for the implementation of the proposed modification, including a date for submission of Rebased Baseline Network Risk Outputs, if necessary.
    4. The Authority will by direction:
       1. approve the proposed modification;
       2. approve the proposed modification with amendments; or
       3. reject the proposed modification.
    5. In the case of paragraph 9.2.8(a) or (b) the Authority may also direct the date by which the licensee must submit Rebased Baseline Network Risk Outputs in accordance with Special Condition 3.1 (Baseline Network Risk Output).
    6. The licensee must implement the modification directed under paragraph 9.2.8(a) or (b) by such date as may be set out in that direction.
    7. Before issuing a direction under paragraph 9.2.8, the Authority will publish on the Authority's Website:
       1. the text of the proposed direction;
       2. the reasons why is proposes to issue the direction; and
       3. a period during which representations may be made on the proposed direction, which will not be less than 28 days.

## Price Control Deliverable Reporting Requirements and Methodology Guidance

Introduction

* + 1. The purpose of this condition is to require the licensee to report to the Authority on the delivery of its Evaluative PCDs in each Regulatory Year.
    2. This condition also provides for:
       1. the issuing and amending of the PCD Reporting Requirements and Methodology Document, which the licensee needs to comply with when preparing its annual Price Control Deliverable reports; and
       2. this condition sets out how the Authority will assess the delivery of Price Control Deliverables.

### Reporting requirement

* + 1. The licensee must by 31 July of each Regulatory Year, or such other later date directed by the Authority, send to the Authority a report on each Evaluative PCD output for which the delivery date specified in the relevant licence condition was in the previous Regulatory Year.

### PCD Reporting Requirements and Methodology Document

* + 1. The licensee must comply with the PCD Reporting Requirements and Methodology Document when preparing a report required by paragraph 9.3.3.
    2. The Authority will issue and amend PCD Reporting Requirements and Methodology Document by direction.
    3. The Authority will publish PCD Reporting Requirements and Methodology Document on the Authority's Website.
    4. The PCD Reporting Requirements and Methodology Document will set out:
       1. how the licensee must prepare the reports required by paragraph 9.3.3;
       2. the methodology the Authority will use when deciding:
          1. whether to direct a value to reduce allowances for Price Control Deliverables that have not been Fully Delivered; and
          2. the value to direct.
    5. Before issuing the PCD Reporting Requirements and Methodology Document by direction, the Authority will publish on the Authority's Website:
       1. the text of the proposed PCD Reporting Requirements and Methodology Document;
       2. the date on which the Authority intends the PCD Reporting Requirements and Methodology Document to come into effect; and
       3. a period during which representations may be made on the content of the PCD Reporting Requirements and Methodology Document, which will not be less than 28 days.
    6. Before amending the PCD Reporting Requirements and Methodology Document by direction, the Authority will publish on the Authority's Website:
       1. the text of the amended PCD Reporting Requirements and Methodology Document;
       2. the date on which the Authority intends the amended PCD Reporting Requirements and Methodology Document to come into effect;
       3. the reasons for the amendments to the PCD Reporting Requirements and Methodology Document; and
       4. a period during which representations may be made on the amendments to the PCD Reporting Requirements and Methodology Document, which will not be less than 28 days.

## Re-opener Guidance and Application Requirements Document

Introduction

* + 1. This condition requires the licensee to prepare applications for Re-openers in accordance with the Re-opener Guidance and Application Requirements Document.
    2. This condition also explains the process the Authority will follow in issuing and amending the Re-opener Guidance and Application Requirements Document.

### Requirement to comply with the Re-opener Guidance and Application Requirements Document

* + 1. The licensee must prepare any applications for Re-openers in accordance with the Re-opener Guidance and Application Requirements Document.

### Re-opener Guidance and Application Requirements Document

* + 1. The Authority will issue and amend the Re-opener Guidance and Application Requirements Document by direction.
    2. The Authority will publish the Re-opener Guidance and Application Requirements Document on the Authority's Website.
    3. The Re-opener Guidance and Application Requirements Document will set out how the licensee must prepare its applications for Re-openers, including the following:
       1. the level of detail required in the application;
       2. any requirement to publish the application;
       3. when it is appropriate to make redactions in published applications; and
       4. any requirement for assurance.
    4. Before issuing the Re-opener Guidance and Application Requirements Document by direction, the Authority will publish on the Authority's Website:
       1. the text of the proposed the Re-opener Guidance and Application Requirements Document;
       2. the date on which the Authority intends the Re-opener Guidance and Application Requirements Document to come into effect; and
       3. a period during which representations may be made on the content of the Re-opener Guidance and Application Requirements Document, which will not be less than 28 days.
    5. Before amending the Re-opener Guidance and Application Requirements Document by direction, the Authority will publish on the Authority's Website:
       1. the text of the amended the Re-opener Guidance and Application Requirements Document;
       2. the date on which the Authority intends the amended Re-opener Guidance and Application Requirements Document to come into effect;
       3. the reasons for the amendments to the Re-opener Guidance and Application Requirements Document; and
       4. a period during which representations may be made on the amendments to the Re-opener Guidance and Application Requirements Document, which will not be less than 28 days.

## Digitalisation

Introduction

* + 1. The purpose of this condition is to set out the licensee's obligations to:
       1. have a Digitalisation Strategy;
       2. have a Digitalisation Action Plan;
       3. update its Digitalisation Strategy and its Digitalisation Action Plan; and
       4. take account of Data Best Practice Guidance.
    2. This condition also sets out the process the Authority will follow when issuing and amending DSAP Guidance and Data Best Practice Guidance.

### Requirements of the Digitalisation Strategy

* + 1. The licensee must publish its Digitalisation Strategy on, or before, [XXXX].
    2. The licensee must review the progress it has made against its Digitalisation Strategy, and update its Digitalisation Strategy, at intervals specified in the DSAP Guidance.
    3. The licensee must:
       1. publish its Digitalisation Strategy, and updates to its Digitalisation Strategy, on the licensee's website where they are readily accessible to the public;
       2. maintain an archive of all published versions of its Digitalisation Strategy on the licensee's website where they are readily accessible to the public; and
       3. notify the Authority of any updates to the Digitalisation Strategy.

### Requirements of the Digitalisation Action Plan

* + 1. The licensee must publish its Digitalisation Action Plan on, or before, [XXXX].
    2. The licensee must review the progress it has made against and update its Digitalisation Action Plan at the intervals specified in the DSAP Guidance.
    3. The licensee must:
       1. publish its Digitalisation Action Plan, and each update to its Digitalisation Action Plan, on the licensee's website where they are readily accessible to the public;
       2. maintain an archive of all published versions of its Digitalisation Action Plan on the licensee's website where they are readily accessible to the public; and
       3. notify the Authority of any updates to the Digitalisation Action Plan.

### DSAP Guidance.

* + 1. The licensee must comply with the DSAP Guidance when:
       1. preparing and updating its Digitalisation Strategy; and
       2. preparing and updating its Digitalisation Action Plan.
    2. The Authority will issue and amend DSAP Guidance by direction.
    3. The Authority will publish DSAP Guidance on the Authority's Website.
    4. The DSAP Guidance will make provision about:
       1. how the licensee should work towards Digitalisation;
       2. how the licensee should set out in its Digitalisation Strategy and Action Plan how it intends to use Energy System Data to generate benefits for consumers and stakeholders and the specific actions it will take to achieve that outcome;
       3. the form and content of the Digitalisation Strategy and the Digitalisation Action Plan, including:
          1. the structure, content and level of detail of each;
          2. the types of activities that should be covered in each; and
          3. any required information associated with those activities; and
       4. the engagement the licensee is required to undertake with stakeholders to help inform the development of its Digitalisation Strategy and its Digitalisation Action Plan.

### Requirement to employ Data Best Practice

* + 1. The licensee must, when conducting work that involves working with or making decisions about the use of Energy System Data, use its best endeavours to act in accordance with Data Best Practice Guidance.
    2. The Authority will issue and amend Data Best Practice Guidance by direction.
    3. The Authority will publish Data Best Practice Guidance on the Authority's Website.
    4. The Data Best Practice Guidance will make provision about how the Authority expects the licensee to comply with Data Best Practice to generate benefits for consumers and stakeholders, including but not limited to ensuring services that involve Energy System Data are designed to meet the needs of consumers and those who directly use the services.

### Process for issuing and amending guidance

* + 1. Before issuing DSAP Guidance or Data Best Practice Guidance by direction, the Authority will publish on the Authority's Website:
       1. the text of the proposed guidance;
       2. the date on which the Authority intends the guidance to come into effect; and
       3. a period during which representations may be made on the content of the guidance, which will not be less than 28 days.
    2. Before amending DSAP Guidance or Data Best Practice Guidance by direction, the Authority will publish on the Authority's Website:
       1. the text of the amended guidance;
       2. the date on which the Authority intends the amended guidance to come into effect;
       3. the reasons for the amendments to the guidance; and
       4. a period during which representations may be made on the amendments to the guidance, which will not be less than 28 days.

## Disapplication of Relevant Special Conditions

* + 1. *[This condition is not being included as part of this consultation]*

## Directly Remunerated Services

Introduction

* + 1. The purpose of this condition is to set out the basis on which services provided by the licensee will be treated as Directly Remunerated Services under the special conditions.
    2. The effect of this condition is that revenue derived by the licensee from the provision of Directly Remunerated Services is excluded from the calculation of the Allowed Revenue formula.
    3. This condition also explains the process that the Authority will follow when directing that services provided by the licensee should be treated, or should not be treated, as Directly Remunerated Services.

### Licensee's obligation to exclude Directly Remunerated Services

* + 1. The licensee must exclude revenue derived from Directly Remunerated Services from Allowed Revenue.
    2. Directly Remunerated Services are:
       1. services that comply with the general principle set out in Part B;
       2. the services listed in Part C to the extent that they comply with the general principle in Part B;
       3. services that the Authority directs are to be treated as Directly Remunerated Services
    3. Services are not to be treated as Directly Remunerated Services if the Authority so directs.

### Statement of General Principle

* + 1. The General Principle is that a service provided by the licensee as part of its Licensed Activities is to be treated as a Directly Remunerated Service if and to the extent that the service is not already remunerated under any of the charges listed in paragraph 9.78.7.
    2. The charges referred to in paragraph 9.7.7 are:
       1. Network Charges, under the provisions of Special Condition 2.1 (Revenue Restriction); and
       2. charges arising from any activity carried out under the provisions of Special Condition 5.2 (Close out of RIIO-1 Network Innovation Competition) which results in Returned Royalty Income for the licensee as defined in that condition.

### Categories of Directly Remunerated Services

* + 1. The descriptions of categories of Directly Remunerated Services set out at paragraph 9.7.10 are to be read and given effect subject to any further explanation or elaboration of any of those descriptions that might be set out in the RIGs issued by the Authority under Standard Condition B15 (Regulatory Instructions and Guidance) of this licence.
    2. Directly Remunerated Services will include the following services:
       1. DRS1. Connection services: This category consists of the carrying out of works (including any necessary reinforcement works or diversionary works) to install, operate, repair, or maintain electric lines, electrical plant, or meters necessary to provide any new connection or modify any existing connection to the licensee's Transmission System, (but only to the extent that the service is not already remunerated under one of the charges set out at paragraph 9.7.8).
       2. DRS2. Diversionary works under an obligation: This category consists of the relocating of any electric line or electrical plant (including the carrying out of any associated works) pursuant to any statutory obligation other than one imposed on the licensee under section 9(2) (General duties of licence holders) of the Act, where the statutory obligation makes provision for the reimbursement of the costs incurred.
       3. DRS3. Works required by any alteration of premises: This category consists of the moving of any electric line or electrical plant that forms part of the licensee's Transmission System to accommodate the extension, redesign, or redevelopment of any premises on which the asset in question is located or to which it is connected.
       4. DRS4. Telecommunications and information technology infrastructure services: This category consists of allowing the use of any electric line or electrical plant that forms part of the licensee's transmission system to carry, either directly or indirectly (including by the incorporation of third party equipment), electronic information and data.
       5. DRS5. Outage Changes: The net costs reasonably incurred by the licensee as a result of any outage change as reimbursed by the System Operator. For the purpose of this condition an "outage change" is a change to the outage plan notified to the licensee by the System Operator on or after week 49, as updated from time to time in accordance with the procedures set out in the STC.
       6. DRS9. Network Innovation Funding: NIC/SIF payments made by the System Operator to the licensee in respect of NIC funding in accordance with Special Condition XX (Close out of RIIO-1 Network Innovation Competition and Special Condition XX (The Strategic Innovation Fund).
       7. DRS15. Miscellaneous: This category consists of the provision of any other service (including the provision of electric lines or electrical plant) that:
          1. is for the specific benefit of any third party who requests it; and
          2. is not made available by the licensee as a normal part of the activities of its Transmission Business Activities.

### Procedure for issuing directions

* + 1. Before issuing a direction under Part A the Authority will consider the General Principle in Part B.
    2. Any direction that the Authority issues under Part A will set out the date on which the licensee must start or cease treating services as Directly Remunerated Services.

## Activities Restrictions

* + 1. *Not being provided in this consultation.*

## Network Access Policy

Introduction

* + 1. This condition requires the licensee to publish and act consistently with the Network Access Policy designed to facilitate efficient performance and effective liaison between the System Operator and Transmission Owners in relation to the planning, management, and operation of the National Electricity Transmission System for the benefit of consumers.

### Network Access Policy

* + 1. The licensee, together with the other Transmission Owners, must have in place a Network Access Policy approved by the Authority.
    2. The licensee must incorporate the Network Access Policy into its planning and operations as part of its Licensed Activity.
    3. The licensee must act consistently with the Network Access Policy, subject to the need to ensure the safe and secure operation of the National Electricity Transmission System as a whole or any part of it.
    4. The Network Access Policy must include:
       1. details of the actions that the licensee will take to coordinate with the System Operator and, if appropriate, the other Transmission Owners to ensure that planned network outage arrangements are agreed with due consideration of the long-term outcomes for consumers and network users;
       2. details of the actions that the licensee will take for the purposes of responding to and managing unplanned network outages with a view to minimising its contribution to network constraints, subject to the need to ensure the safe and secure operation of the National Electricity Transmission System as a whole or any part of it;
       3. details of the types of circumstances that are likely to require an alternative approach to that set out in relation to paragraphs 9.9.5(a) and (b); and
       4. a description of the licensee’s communication and coordination strategy for interacting with the System Operator, other Transmission Owners, and Users.

### Revisions to the Network Access Policy

* + 1. The licensee, together with the other Transmission Owners, must from time to time and at least once in every period of two Regulatory Years, review and propose such revisions to the Network Access Policy as may be necessary in order to ensure that the information contained in it continues to be accurate and consistent with this condition.
    2. Before revising the Network Access Policy the licensee, together with the other Transmission Owners, must submit to the Authority, the System Operator and, if appropriate, to any other relevant Transmission Licensees:
       1. a copy of the proposed revisions;
       2. an explanation of the reasons for the proposed revisions; and
       3. such detailed supporting evidence as the licensee considers will assist the Authority in its consideration of the proposed revisions.
    3. The Authority will either:
       1. approve the proposed revisions;
       2. reject the proposed revisions; or
       3. reject the proposed revisions and give recommendations as to alternative revisions that it considers should be made.
    4. Before taking any action under paragraph 9.9.8, the Authority will consult the Transmission Owners, System Operator and such other interested parties as it considers appropriate.

### Availability of the Network Access Policy

* + 1. The licensee must ensure that the Network Access Policy is available on its website.
    2. In the event that the Authority approves a revision to the Network Access Policy, the licensee must ensure that the Network Access Policy made available under paragraph 9.9.10 is updated during the period of five Working Days beginning with the date of the approval.

## Provision of Information to the System Operator

Introduction

* + 1. The purpose of this condition is to require the licensee to notify the System Operator of the revenue to be collected via transmission network charges.

### Statement of the [TNGET/TSP/TSH] value

* + 1. On or before 1 November of the Regulatory Year t-1, the licensee must notify the System Operator of its best estimate for the [TNGET/TSP/TSH] term.
    2. [TNGET/TSP/TSH] means an amount no more than ARt– EXSt, where EXSt means the connection charges, if any, which are remunerated under Special Condition 2.1 in respect of connections made before the grant of this licence and for the avoidance of doubt, such charges may include charges for the operation and maintenance of the relevant connection.
    3. The licensee must keep under review the estimates notified to the System Operator pursuant to paragraph 9.10.2 and, if at any time, the licensee reasonably considers that the value of [TNGET/TSP/TSH], notified to the System Operator will be significantly different to the estimates previously notified to the System Operator, the licensee must notify the System Operator of the updated value for [TNGET/TSP/TSH] as soon as reasonably practicable.
    4. By 30 April of each relevant year t, the licensee shall provide the Authority with a statement showing the following:
       1. the value of [TNGET/TSP/TSH] notified to the System Operator in the Regulatory Year t-1 and the method of calculation including the values for EXSt;
       2. the aggregate amounts of the licensee’s connection charges in relevant year t-1 which are remunerated under Special Condition 2.1, identifying separately amounts in relation to connections made prior to the grant of this licence and amounts in relation to connections made after the grant of this licence;
       3. the aggregate amount of the licensee’s connection charges in Regulatory Year t-1 which are not remunerated under Special Condition 2.1; and
       4. the aggregate amount of the licensee’s charges in Regulatory Year t-1 in respect of outage changes.

## Basis of Transmission Owner Charges

Introduction

* + 1. The purpose of this condition is to require the licensee to prepare and have in place a Statement of Transmission Owner Charges.

### Statement of Transmission Owner Charges

* + 1. The licensee must have in place a Statement of Transmission Owner Charges approved by the Authority.
    2. The Statement of Transmission Owner Charges must include:
       1. a schedule listing:
          1. items of significant cost required for connection (at entry or exit points) to the licensee’s Transmission System,
          2. items for which site specific charges may be made or levied, and
          3. indicative charges or, where not practicable, an explanation of the methods by which and the principles in accordance with which the charges will be calculated;
       2. the methods by which and the principles in accordance with which:
          1. site specific charges will be made in circumstances where the electric lines or electrical plant to be installed are (at the licensee’s discretion) of greater size or capacity than that required;
          2. any charges (including any capitalised charge) will be made for maintenance, replacement and repair required of electric lines, electrical plant or meters provided and installed for making a connection to the licensee’s Transmission System; and
          3. any charges will be made for disconnection from the licensee’s Transmission System and the removal of electrical plant, electric lines and ancillary meters following disconnection; and
       3. such other matters as are specified in directions issued by the Authority from time to time for the purpose of this condition.
    3. The licensee must set site specific charges for those items referred to in paragraph 9.11.3 at a level that will enable the licensee to recover:
       1. the appropriate proportion of the costs directly or indirectly incurred in carrying out any works for the extension or reinforcement of the licensee’s Transmission System or the provision and installation, maintenance, replacement and repair or (as the case may be) removal following disconnection of any electric lines, electrical plant, meters or other items; and
       2. a reasonable rate of return on the capital represented by such costs.

### Revisions to the Statement of Transmission Owner Charges

* + 1. The licensee must at least once in every year, review and propose such revisions to the Statement of Transmission Owner Charges as may be necessary in order to ensure that it continues to be accurate.
    2. The Authority may direct the licensee to modify the Statement of Transmission Owner Charges in such manner, to such extent, and with effect from such time as may be specified in that direction.
    3. Before revising the Statement of Transmission Owner Charges, the licensee must provide a copy of the proposed revisions to the Authority.
    4. The Authority will either:
       1. approve the proposed revisions;
       2. reject the proposed revisions; or
       3. reject the proposed revisions and give recommendations as to alternative revisions that it considers should be made.
    5. The licensee must give or send a copy of the Statement of Transmission Owner Charges, including any revision in such form and manner as the Authority may direct, to any person who requests a copy of such statement or statements.
    6. The licensee may make a charge for any statement given or sent pursuant to paragraph 9.11.9 of an amount reflecting the licensee’s reasonable costs of providing the statement, which must not exceed the maximum amount specified by the Authority by direction for the purposes of this condition.

## Allowances in respect of a Security period

* + 1. *This is not being included as part of this consultation.*

## Restriction on the use of certain information

Introduction

* + 1. This condition sets out restrictions on the use of Confidential Information.

### Requirements for treatment of Confidential Information

* + 1. The licensee (including its affiliates and related undertakings) must not disclose or authorise access to Confidential Information except as provided for in Part B.

### Circumstances under which the licensee can disclose Confidential Information

* + 1. The licensee (including its affiliates and related undertakings) may disclose or authorise access to Confidential Information insofar as is necessary or appropriate in the circumstances where:
       1. paragraphs 9.15.9 to 9.15.12 of Special Condition 9.15 (Independence of and appointment of managing director of the Transmission Business) apply,
       2. the information is only used for the purpose of the Transmission Business or any External Transmission Activities of the licensees, and effective arrangements are in place at all times for ensuring no further disclosure occurs.
       3. disclosure of the information is required or permitted by:
          1. any requirement of a Competent Authority;
          2. the standard conditions of any licence granted or taking effect as if granted under the Act or any document referred to in such a licence with which the licensee is required by virtue of the Act or that licence to comply;
          3. any court or tribunal order; or
          4. the performance of a statutory function; or
          5. as is necessary under the rules of the Electricity Arbitration Association or other arbitral;;
       4. the licensee has been notified by the person who provided the information or to all persons to whom it relates that the information need not be treated as confidential;
       5. the licensee makes public information which;
          1. is not provided by another person; or
          2. does note relate to another person
       6. information is required for the purposes of assisting other transmission licence holders to prepare for, plan and develop the operation of a GB Transmission System and such other matters as will facilitate the implementation of new arrangements relating to the trading and transmission of electricity in Great Britain designed to;
          1. promote the creation of a single competitive wholesale electricity trading market; and
          2. introduce a single set of arrangements for access to and use of any Transmission System in Great Britain.

## Appointment of a Compliance Officer

Introduction

* + 1. The purpose of this condition is to set out requirements on the licensee to:
       1. prepare a Compliance Statement,
       2. appoint a Compliance Officer, and
       3. prepare a Compliance Report.

### Compliance Statement

* + 1. The licensee must prepare a Compliance Statement that:
       1. is in a form approved by the Authority, and
       2. sets out the practices, procedures and systems which the licensee has adopted (or intends to adopt) to ensure its compliance with the Relevant Duties.
    2. The licensee:
       1. must review the Compliance Statement at least once in each Regulatory Year to ensure that it continues to be accurate, and
       2. may, with the approval of the Authority, alter the form of the Compliance Statement.
    3. The licensee must send a copy of the Compliance Statement, and of each alteration under paragraph 9.14.3(b), to the Authority.

### Appointment of the Compliance Officer

* + 1. The licensee must, subject to the approval by the Authority of the proposed candidate, appoint a Compliance Officer.
    2. The licensee must at all times engage the services of the Compliance Officer for the performance of such duties and tasks as the licensee considers it appropriate to assign to them for the purposes of compliance with the Relevant Duties, including the duties and tasks set out at 9.14.9.
    3. The licensee must, as is reasonably required for the fulfilment of the duties and tasks assigned, provide the Compliance Officer with:
       1. staff, premises, equipment, facilities and other resources; and
       2. access to its premises, systems, information and documentation.
    4. The licensee must make available to the Compliance Officer a copy of any complaint or representation received by it from any person in relation to any of the practices, procedures and systems adopted by the licensee in accordance with the Compliance Statement required by Part A.
    5. The duties and tasks assigned to the Compliance Officer must include:
       1. providing relevant advice and information to the licensee for the purpose of ensuring its compliance with the Relevant Duties;
       2. monitoring the effectiveness of the practices, procedures and systems adopted by the licensee in accordance with the Compliance Statement under paragraph 9.14.2;
       3. investigating any complaint or representation made available to them in accordance with paragraph 9.14.8;
       4. recommending and advising upon the remedial action which any such investigation has demonstrated to be necessary or desirable;
       5. providing relevant advice and information to the licensee for the purpose of ensuring its effective implementation of:
          1. the practices, procedures and systems adopted in accordance with the Compliance Statement required by Part A; and
          2. any remedial action recommended in accordance with sub-paragraph (d); and
          3. reporting annually to the directors of the licensee - in respect of the each Regulatory Year - as to their activities during the period covered by the report, including the fulfilment of the other duties and tasks assigned to them by the licensee.

### Compliance Report

* + 1. As soon as is reasonably practicable following each annual report of the Compliance Officer, the licensee must produce a Compliance Report:
       1. as to its compliance during the Regulatory Year with the Relevant Duties; and
       2. as to its implementation of the practices, procedures and systems adopted in accordance with the Compliance Statement.
    2. The Compliance Report produced in accordance with paragraph 9.14..10 must:
       1. detail the activities of the Compliance Officer during the Regulatory Year;
       2. refer to such other matters as are or may be appropriate in relation to the implementation of the practices, procedures and systems adopted in accordance with the Compliance Statement; and
       3. set out the details of any investigations conducted by the Compliance Officer, including:
          1. the number, type and source of the complaints or representations on which such investigations were based;
          2. the outcome of such investigations; and
          3. any remedial action taken by the licensee following such investigations.
    3. The licensee must submit to the Authority a copy of the Compliance Report produced in accordance with paragraph 9.14.10, and must give or send a copy of the Compliance Report to any person who requests such a copy.

## Independence of and appointment of managing director of the Transmission Business

Introduction

* + 1. The purpose of this condition is to set out requirements on the licensee to establish and maintain operational and managerial independence of the Transmission Business and any External Transmission Activities.
    2. This condition also requires the licensee to appoint a Managing Director of Transmission to be responsible for the conduct of the Transmission Business and any External Transmission Activities.

### Requirements of the Managing Director of Transmission

* + 1. The licensee must at all times ensure that the Transmission Business and any External Transmission Activities have managerial and operational independence from any other business operated by the licensee.
    2. The licensee must appoint a Managing Director of Transmission.
    3. The Managing Director of Transmission may be a director:
       1. of the Transmission Licensee; and
       2. in the circumstances set out in paragraph 9.15.16 also of:
          1. an affiliate or related undertaking which holds a distribution licence, or
          2. a holding company only engaged in ownership or management of distribution or Transmission Businesses or both.
    4. The licensee must ensure that the Managing Director of Transmission is not engaged by the licensee in any other capacity than as a Managing Director of Transmission.
    5. The licensee must arrange for the Managing Director of Transmission to be provided with such resources necessary to ensure the efficient and effective management and operation of the Transmission Business in accordance with the licensee's duty under section 9(2)(a) of the Act and the Transmission Licence.
    6. The Managing Director of Transmission must be given sole discretion (subject to compliance with relevant UK employment legislation) to oversee and manage their personnel.
    7. The licensee must direct the Managing Director of Transmission:
       1. to inform the directors of the licensee, in writing, if, at any time, the Managing Director of Transmission is of the opinion that the provision of the items specified in 9.15.7 is not sufficient to enable the licensee to comply with its duties under section 9(2)(a) of the Act and the Transmission Licence; and
       2. as soon as practicable after the end of 2021 and of each Regulatory Year, to provide the directors of the licensee with:
          1. a report on the provision of the resources necessary to ensure respect of that year; and
          2. a statement as to the resources required by the Managing Director of Transmission to ensure that the licensee complies with its duties including, in particular, a description of the differences in the provision of those matters made or likely to be made in that year compared with the provision made in respect of the preceding year and the reasons for those differences.
    8. On receipt of any information or report under paragraph 9.15.9, the licensee must, subject to compliance with the listing rules (within the meaning of Part IV of the Financial Services Act 1986 (c.60)) of the Stock Exchange:
       1. give the information or report to the Authority as soon as reasonably practicable; and
       2. publish any report, in such form and manner as the Authority may direct, as soon as reasonably practicable.
    9. Except where the Authority otherwise directs, the licensee must only give instructions to the Managing Director of Transmission as to the discharge of his responsibilities under paragraph paragraph 9.15.3:
       1. where such instructions are required:
          1. in the bona fide and reasonable opinion of the licensee to ensure compliance with the statutory, licence and contractual obligations of the licensee; or
          2. in the bona fide opinion of the directors, to ensure compliance with their duties; or
       2. to ensure compliance with paragraph 9.15.9.
    10. The licensee must give instructions under sub- paragraph 9.15.11(a) in writing, specifying the statutory, licence or contractual obligations of the licensee or duty of the directors of the licensee which require the licensee to give instructions, and must send a copy of the instructions to the Authority.
    11. Except as the Authority otherwise directs, the licensee must, subject to paragraph 9.15.14, ensure that:
        1. no business of the licensee (or of any affiliate or related undertaking of the licensee), other than the Transmission Business or any External Transmission Activities, may use or have access to:
           1. premises or parts of premises occupied by persons engaged in, or in respect of, the management or operation of the Transmission Business or any External Transmission Activities;
           2. systems for the recording, processing or storage of data to which persons engaged in, or in respect of, the management or operation of the Transmission Business or any External Transmission Activities also have access;
           3. equipment, facilities or property employed for the management or operation of the Transmission Business or any External Transmission Activities; or
           4. the services of persons who are (whether or not as their principal occupation) engaged in, or in respect of, the management or operation of the Transmission Business or any External Transmission Activities; and
        2. it can and does, insofar as is legally possible, prevent any person who has ceased to be engaged in, or in respect of, the management or operation of the Transmission Business from being engaged in, or in respect of, the activities of any other business of the licensee (or of any affiliate or related undertaking of the licensee) until the expiry of an Appropriate Time from the date on which he ceased to be engaged by the Transmission Business.
    12. The Authority may, upon the written request of the licensee, by direction relieve the licensee of its obligations under Special Condition 9.13(Restriction on the use of certain information) and under paragraph 9.15.3, 9.15.4 and 9.15.13, to such extent and subject to such terms and conditions as specified in that direction, where:
        1. it is not reasonably practicable for the licensee to comply with any aspect of those obligations;
        2. in the case of paragraphs 2 to 4 of Special Condition 9.13 (Restriction on the use of certain information), a failure to comply with any aspect of those obligations would be of a trivial nature; or
        3. in the case of paragraph 9.15.3 and 9.15.13, any arrangements for the use of or access to premises, systems, equipment, facilities, property or personnel by both the Transmission Business and any other business of the licensee (or of any affiliate or related undertaking of the licensee):
           1. do not involve a cross-subsidy being either given to the Transmission Business by such other business or received from the Transmission Business by such other business;
           2. obtain for the Transmission Business, in the most efficient and economical manner possible, the use of the relevant premises, systems, equipment, facilities, property or personnel; and
           3. do not restrict, distort or prevent competition in the generation or supply of electricity; but
    13. provided that the licensee shall not thereby be relieved of any obligation imposed on it by EU Directive 96/92/EC.
    14. Where, subsequent to the issue of a direction pursuant to paragraph 9, the criteria set out at 9.15.14(a), (b) or (c) cease to be satisfied, the Authority may withdraw the direction or modify any terms and conditions which may be specified in it.
    15. If the Authority is requested to issue any direction pursuant to 9.15.10 relating to the Transmission Business being managed or operated by the licensee together with any distribution business then that direction may provide:
    16. (a) that for the purposes of this condition and of Special Condition 9.13 (Restriction on the use of certain information) the Transmission Business must be taken to include any such distribution business; and
    17. (b) for the Managing Director of Transmission to take part in the management of and/or to be a director of any company carrying on any such distribution business.

## Prohibited Activities and Conduct of the Transmission Business

Introduction

* + 1. The purpose of this condition is to set out the prohibited activities of the licensee and conduct of the Transmission Business.

### Prohibited Activities

* + 1. Unless the Authority otherwise directs, the licensee, and any subsidiary of the licensee, must not hold, or seek to hold, a transmission licence that has Section C (System Operator Standard Conditions) or Section E (Offshore Transmission Owner Standard Conditions) in effect.

### Conduct of the Transmission Business

* + 1. The licensee, and the relevant parties listed in paragraph 9.16.5, must not obtain an Unfair Commercial Advantage.
    2. The licensee must not disclose or otherwise make use of any System Operator Functions information that it may have received from its affiliate, National Grid Electricity System Operator Limited (“NGESO”), by virtue of NGESO disclosing such information to the licensee arising from a failure to abide by the provisions of Special Condition 2.2 of NGESO’s transmission licence.
    3. The relevant parties are:
       1. any affiliate or related undertaking of the licensee that is a subsidiary of, or is controlled by an ultimate controller of, the licensee, including those:
          1. intending to participate in a competitive tender exercise to determine a person to whom an offshore transmission licence is to be granted; or
          2. participating in a competitive tender exercise to determine a person to whom an offshore transmission licence is to be granted;
       2. any user of the national electricity Transmission System; and
       3. any other Transmission Licensee.

## Business Separation requirements and compliance obligations

Introduction

* + 1. The purpose of this condition is to set out the business separation requirements between the licensee and the Relevant Other Competitive Businesses, and the process the licensee must follow to comply with these obligations.
    2. Part A sets out the business separation requirements between the licensee and the Relevant Other Competitive Businesses.
    3. Part B sets out the Compliance Statement the licensee must publish to describe how it is meeting its Specified Duties, as defined in paragraph 9.17.20.
    4. Part C sets out requirements on the licensee to appoint an independent compliance officer and annually report on compliance against the licensee’s duties.

### Legal and functional separation of the licensee and the Relevant Other Competitive Businesses

* + 1. The licensee must, in carrying out its licensed activities, put in place and at all times maintain such systems of control and other governance arrangements as are necessary to ensure that the licensee complies with the obligations contained in standard condition B5 (Prohibition of cross-subsidies), standard condition B6 (Restriction on Activity and Financial Ring Fencing) and Special Condition 9.16 (Prohibited Activities and Conduct of the Transmission Business).
    2. Without prejudice to paragraph 9.17.3 the licensee must at all times conduct its licensed activities separately from the Relevant Other Competitive Businesses, provided that nothing in Part A prevents the licensee from complying with any Section E (Offshore Transmission Owner of Last Resort) Direction made pursuant to standard condition B18 (Offshore Transmission Owner of Last Resort).
    3. The licensee must ensure that the Relevant Other Competitive Businesses are conducted entirely by corporate entities each of which is separate from the licensee and that the licensee does not, directly or indirectly, hold any shares or other investments:
       1. in any corporate entity which conducts any of the Relevant Other Competitive Businesses or which exercises or otherwise has control of any of the Relevant Other Competitive Businesses or any of the assets used in or dedicated to any of the Relevant Other Competitive Businesses; or
       2. which give the holder an entitlement to vote at the general meetings of any of the corporate entities which conduct the Relevant Other Competitive Businesses or in any company which exercises or otherwise has control of any of the Relevant Other Competitive Businesses.
    4. The licensee must ensure that its accounts are maintained and to the extent required by law audited and reported separately from those of any corporate entity which conducts Relevant Other Competitive Business.
    5. The licensee must ensure that persons engaged in the management or operation of the licensee (up to and including the members of the licensee’s board of directors) are not simultaneously engaged, either full or part time, in the management or operation of any Relevant Other Competitive Business or any corporate entity which conducts Relevant Other Competitive Business, other than in the provision of Shared Services provided by the licensee to its Associates and the provision of services which constitute De Minimis Business to the extent that the provision of those services by the licensee complies with the requirements of standard conditions B5 (Prohibition of cross-subsidies), B6 (Restriction on Activity and Financial Ring Fencing) and B9 (Indebtedness).
    6. The licensee must ensure that arrangements are in place which are effective in restricting access by persons engaged in the management or operation of any of the Relevant Other Competitive Businesses to:
       1. any part of any premises which is occupied by persons engaged in the management or operation of the licensee; or
       2. any equipment, facilities or property employed for the management or operation of the licensee.
    7. The licensee must ensure that the systems for the recording, processing or storage of data to which persons engaged in the management or operation of the licensee have access cannot be accessed by persons engaged in the management or operation of the Relevant Other Competitive Businesses.

### Compliance Statement and compliance documents

* + 1. Before the end of the period of 30 days beginning with the date on which this condition comes into effect, the licensee must submit to the Authority:
       1. a Compliance Statement,
       2. the proposed form of the Compliance Report; and
       3. the proposed form of the Compliance Certificate.
    2. On receipt of the documents provided for in paragraph 9.17.12 or any revisions of them, as provided for in paragraph 9.17.12, the Authority will:
       1. approve the (individual) documents and notify the licensee of each approval; or
       2. give a direction to the licensee that any of the documents requires further development and specifying a date by which the licensee is required to submit a revision to the Authority for approval.
    3. Following the Authority’s approval of the documents provided for in paragraph 9.17.12, the licensee must:
       1. unless the Authority otherwise consents or directs, at all times comply with the terms of the approved compliance statement; and
       2. at least once every 12 months, or at such other interval as the Authority may direct, review the documents and revise them as necessary, including when circumstances change so that the documents no longer secure compliance with the duties specified in paragraph 9.17.12, to ensure that the documents continue to be complete and accurate in all material respects.
    4. The licensee must submit any revisions made to the documents to the Authority.
    5. Any revisions of the documents will only become effective once the Authority has approved them, in accordance with paragraph 9.17.17.
    6. The Authority will either:
       1. approve the proposed revisions;
       2. reject the proposed revisions; or
       3. reject the proposed revisions and give recommendations as to alternative revisions that it considers should be made.
    7. The licensee must publish a copy of the approved Compliance Statement and each revision of it on its website during the period of 15 Working Days beginning with the date of approval by the Authority.
    8. The Compliance Statement must in particular (but without prejudice to the generality of paragraph 9.17.12 set out how the licensee will meet:
       1. the business separation requirements provided for in Part A, with specific reference to:
          1. the arrangements for managerial separation, as required in paragraph 9.17.9;
          2. the treatment of Shared Services across the licensee and the Relevant Other Competitive Businesses, together with a list of those services which fall under the definition of Shared Services;
          3. the arrangements to manage the transfer of employees between the licensee and the Relevant Other Competitive Businesses;
          4. the appointment of a compliance officer and compliance reporting, provided for in Part C.

### Appointment of a Compliance Officer and compliance reporting

* + 1. The licensee must ensure, following consultation with the Authority, that a Compliance Officer is appointed. The person appointed as the Compliance Officer pursuant to this paragraph may also hold other compliance officer roles for the licensee or its Associates licensed under the Gas Act 1986.
    2. The licensee must appoint a Single Appointed Director to report to the board of the licensee in relation to the obligations set out in this condition.
    3. The licensee must establish a Compliance Committee to report to the board of the licensee.
    4. The licensee must secure that the Compliance Committee includes among its members the Single Appointed Director and such persons from within the licensee’s business as are responsible for the management of regulatory issues relating to the licence.
    5. The licensee must ensure that, as might be reasonably required for the fulfilment of the duties and tasks assigned pursuant to this condition, the Compliance Officer:
       1. is provided with such employees, premises, equipment, facilities and other resources; and
       2. has such access to the licensee’s premises, systems, information and documentation,
    6. Except to the extent provided for in paragraph 9.17.20, the licensee must ensure that the Compliance Officer is not engaged in the management or operation of the Transmission Business, any Associate of the licensee or any Relevant Other Competitive Businesses.
    7. The licensee must make available to the Compliance Officer details of any complaint or representation received by it from any person in respect of the conduct of the licensee in undertaking the specified duties.
    8. The duties and tasks of the Compliance Officer must include:
       1. providing advice and information to the licensee (including individual directors of the licensee) and the Single Appointed Director for the purpose of ensuring the licensee’s compliance with the Specified Duties;
       2. monitoring the effectiveness of the practices, procedures and systems adopted by the licensee to ensure its compliance with the Specified Duties and described in the compliance statement;
       3. advising whether, to the extent that the implementation of such practices, procedures and systems require the co-operation of any other person, they are designed so as reasonably to secure the required co-operation;
       4. investigating any complaint or representation made available to the compliance officer in accordance with paragraph 9.17.26;
       5. recommending and advising upon the remedial action which any such investigation has demonstrated to be necessary or desirable;
       6. providing relevant advice and information to the licensee (including individual directors of the licensee) and the Compliance Committee established under paragraph 9.17.23, for the purpose of ensuring its implementation of:
          1. the practices, procedures and systems adopted in accordance with the compliance statement; and
          2. any remedial action recommended in accordance with sub-paragraph (e);
          3. reporting to the Compliance Committee any instances which come to his attention, relating to a member of any of the managerial boards of the licensee, taking into account the interests of a business other than that in respect of which the board of which he is a member of has been established; and
          4. reporting annually to the Compliance Committee as to the compliance officer’s activities in respect of the Specified Duties during the period covered by the annual report.
    9. As soon as is reasonably practicable and in any event no later than 90 days following each annual report of the Compliance Officer, the licensee must produce, in a form approved by the Authority in accordance with paragraph 9.17.13, a Compliance Report.
    10. The Compliance Report produced in accordance with paragraph 9.17.28 must in particular:
        1. detail the activities of the compliance officer during the relevant period covered by the compliance report;
        2. refer to such other matters as are or may be appropriate in relation to the implementation of the practices, procedures and systems described in the compliance statement;
        3. set out the details of any investigations conducted by the compliance officer, including:
           1. the number, type and source of the complaints or representations on which such investigations were based;
           2. the outcome of such investigations; and
           3. any remedial action taken by the licensee following such investigations; and
        4. be accompanied by a Compliance Certificate, in a form approved by the Authority in accordance with paragraph 9.17.13, approved by a resolution of the board of the licensee and signed in good faith by the Single Appointed Director pursuant to that resolution, on the licensee’s compliance with the specified duties.
    11. The licensee must, as soon as reasonably practicable, following the approval of the Compliance Certificate by the board of the licensee, and in any event no later than 120 days following each annual report of the Compliance Officer, submit to the Authority a copy of the Compliance Report and Compliance Certificate produced in accordance with paragraphs 9.17.28 and 9.17.29, and publish copies of each of them on its website.
    12. The licensee must, if so directed by the Authority, appoint an Independent Examiner for the purpose of providing a written report to the Authority:
        1. reviewing the practices, procedures and systems which have been implemented to secure compliance with this condition;
        2. assessing the appropriateness of such practices, procedures and systems for securing compliance with the licensee’s obligations under this condition; and
        3. reporting on the licensee’s compliance with the requirements of this condition.
    13. The Independent Examiner’s report must be provided to the Authority during the period of three Working Days beginning with the date on which the licensee receives the report from the Independent Examiner.
    14. The Independent Examiner’s report must be commissioned at such intervals as the Authority may direct.

## Tax Reconciliation Assurance Statement

Introduction

* + 1. This condition requires the licensee to submit to the Authority an annual assurance statement in relation to the Tax Reconciliation template and sets out the form of that statement.

### Assurance Statement

* + 1. The licensee must by 31 July of each Regulatory Year submit to the Authority an assurance statement that:
       1. has been approved by resolution of the licensee’s board of directors;
       2. is signed by a director of the licensee pursuant to the resolution in sub-paragraph (a); and,
       3. is set out in the form prescribed in paragraph 9.18.3 or where paragraph 9.18.4 applies in the form prescribed in paragraph 9.18.5.
    2. The prescribed form for the assurance statement is as follows:

"In accordance with the requirements of paragraph 9.18.2 of Special Condition 9.18 (Tax Reconciliation Assurance Statement), the Directors of [licensee] (‘the Licensee”) hereby certify that for the Regulatory Year [*preceding Regulatory Year*], in their opinion:

* + - 1. the adjusted notional tax allowance as shown in the Tax Reconciliation template represents a fair interpretation of the Licensee’s adjusted actual tax liability as shown in the licensee’s Company Tax Return (CT600);
      2. the Tax Reconciliation has been submitted to the Office of Gas and Electricity Markets along with a copy of:
         1. the Licensee's most recent CT600 as submitted to Her Majesty's Revenue and Customs;
         2. Senior Accounting Officer (SAO2) certifications; and
         3. the Licensee’s published Tax Strategy;
      3. where appropriate, further information has also been provided to support and explain reconciling items in accordance with paragraph [X] of the Regulatory Instructions and Guidance;
      4. all adjustments made have been appropriately explained in the Tax Reconciliation supporting commentary; and
      5. reconciling differences have been appropriately explained and any remaining, unexplained differences are considered immaterial in aggregate."
    1. Where the licensee anticipates a material, unexplained variance to arise in the Tax Reconciliation as described in Chapter 6 of the ET2 Price Control Financial Handbook, the prescribed form for the assurance statement is set out in paragraph 9.18.5.
    2. "In accordance with the requirements of paragraph 9.18.2 of Special Condition 9.18 (Tax Reconciliation Assurance Statement), the Directors of [licensee] (‘the Licensee”) hereby certify that for the preceding Regulatory Year, in their opinion:
       1. the adjusted notional tax allowance as shown in the Tax Reconciliation template does not represent a fair interpretation of the Licensee’s adjusted actual tax liability as shown in the Licensee’s Company Tax Return (CT600);
       2. The Tax Reconciliation has been submitted to the Office of Gas and Electricity Markets along with a copy of:
          1. the Licensee's most recent CT600 as submitted to Her Majesty's Revenue and Customs;
          2. Senior Accounting Officer (SAO2) certifications; and
          3. the Licensee’s published Tax Strategy.
       3. Where appropriate, further information has also been provided to support and explain reconciling items in accordance with paragraph [X] of the PCFM Guidance;
       4. all adjustments made have been appropriately explained in the Tax Reconciliation supporting commentary;
       5. reconciling differences have been appropriately explained, where possible, and the remaining unexplained differences are considered material in aggregate.
       6. a notification has been given in writing to the Authority under Chapter 6 of the ET2 Price Control Financial Handbook."