

Guidance

Price Control Deliverable Reporting Requirements and Methodology Document: Version 1 Draft

Publication date:	17 December 2020	Contact:	Kelvin Hui
		Team:	Networks Directorate, RIIO Price Controls
Response deadline:	29 January 2021	Tel:	0203 263 9635
		Email:	Kelvin.Hui@Ofgem.gov.uk

We are consulting on our proposed Price Control Deliverable Reporting Requirements and Methodology Document Document.

This document is directed at gas and electricity transmission network companies and gas distribution network companies (for the purposes of this document 'network companies'), as well as their stakeholders.

The purpose of this document is to set out requirements in relation to the reports that the licensees are required to provide in relation to Price Control Deliverables (PCD) and the methodology that the Authority will use when assessing PCDs.

© Crown copyright 2020

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

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

Any enquiries related to the text of this publication should be sent to Ofgem at:
10 South Colonnade, Canary Wharf, London, E14 4PU. Alternatively, please call Ofgem on 0207 901 7000.

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

Contents

1. Introduction	5
Background	5
2. PCD principles	6
Section summary	6
PCD Principles.....	6
3. PCD specification and types	8
Section summary	8
4. PCD delivery status	10
Section summary	10
5. Adjustments to allowances	12
Section summary	12
Mechanistic PCDs	12
Evaluative PCDs	12
6. PCD reporting.....	15
Section summary	15
7. Process for the assessment of PCD delivery and allowance adjustments	18
Section summary	18
Mechanistic PCDs	18
Evaluative PCDs.....	18
Supplementary Questions (SQ)	20
Appendices.....	21
Appendix 1 - Definitions.....	22
Definition of PCD terms.....	22
Appendix 2 - Illustrative scenarios for adjustments to allowances	23

1. Introduction

Background

1.1. Price Control Deliverables (PCDs) are a key component of the RIIIO-2 framework. Under our framework for PCDs, price control funding is linked to the delivery of outputs specified in the licence. This framework provides for the adjustment of the level and timing of allowances in the event the output is not delivered, not delivered to the specification required, or delivered late.

1.2. We are publishing this document in line with Special Condition 9.3 (Price Control Deliverable Reporting Requirements and Methodology Guidance) of the Gas Transporter and Electricity Transmission licences (effective from 1 April 2021).

1.3. This document sets out the following:

- The principles that we will use when assessing delivery of PCDs and any adjustments to allowances;
- The types of PCDs we will use to hold network companies to account for baseline funding;
- Possible outcomes of our assessment of delivery;
- Our approach to the adjustment of allowances;
- Information that the licensee is required to provide as part of PCD reporting; and
- The process and timelines for our assessment of PCD delivery and allowance adjustments.

1.4. As specifically provided for in the Price Control Deliverable Reporting Requirements and Methodology Document licence condition this document may be added to or modified by the Authority following the consultation process set out in the licence condition.

1.5. Appendices to this guidance, which may be added over time, contain additional requirements and guidance applying to specific PCDs.

2. PCD principles

Section summary

This section sets out the principles that underpin the PCD framework

(all definitions are outlined in Annex 1 of this document.)

PCD Principles

2.1. Our PCD framework is based on the following principles. We will have due regard to these principles when implementing our PCD framework during the RIIO-2 period:

1. Each PCD is defined by the output specified in the licence that we expect the licensee to deliver, the date by which the output is to be delivered in full, and the price control allowances associated with that PCD.
2. Price control allowances associated with each PCD are provided on the condition that the licensee will deliver the PCD as specified in the licence by the delivery date. We will not make an adjustment to allowances if this condition is met.
3. If the licensee does not deliver the PCD as specified in the licence on time, the Authority will make a downward adjustment to the price control allowance associated with the PCD so that consumers only pay the efficient costs of work that has been delivered. For the avoidance of doubt, the value of such downward adjustments will not exceed the value of allowances associated with the relevant PCD.
4. For Evaluative PCDs, licensees may deliver an alternative specification to the one in the relevant licence condition. In such cases we will adjust allowances downwards to match the efficient cost of delivering the alternative, unless the licensee can demonstrate that:
 5. the alternative specification delivers an equivalent or better Consumer Outcome compared to the original specification in the licence; and
 6. where there are any cost savings compared to allowances, the cost savings are attributable to efficiencies or innovation.
7. The onus is on the licensee to demonstrate any cost savings achieved are due to efficiencies or innovation.

2.2. The work associated with certain PCDs may be subject to incentive mechanisms. These will be set out in the relevant licence conditions and will take effect in parallel with, and separate from, the funding adjustments under the PCD framework.

3. PCD specification and types

Section summary

This section explains the two types of PCDs that Ofgem have used to hold network companies to account for the output(s) that they are funded to deliver through their baseline allowances.

3.1. In general, each PCD in the relevant licence condition is defined by the following information:

- The outputs a licensee is funded to deliver;
- The delivery date of the outputs;
- The baseline allowances associated with the outputs; and
- How Ofgem will determine any recovery of associated baseline allowances.

3.2. We have created two types of PCDs: Mechanistic and Evaluative.

- **Mechanistic PCDs** are set in cases where work is defined by volumes or numbers of units of deliverables, or activities that are typically repeatable and we can set allowances by reference to the unit costs. The output is typically defined by reference to a target volume or number of units to be delivered. In such cases, the reporting requirements are relatively light and the recovery of allowances for non-delivery of work is intended to be automatic or largely automatic.
- **Evaluative PCDs** are set in cases where there is some flexibility in the output to be delivered, either in terms of the scope of works, costs or the specifications delivered. The output is typically defined by reference to the specification of work to be delivered. For Evaluative PCDs, there are more detailed reporting requirements on licensees, and our approach allows for a proportionate ex-post assessment of PCD

delivery to determine whether an adjustment to allowances is necessary to protect consumers.¹

3.3. The licence shows which category each PCD falls into and defines “Evaluative PCD”.

¹ Excludes SpC 5.5 HyNet Front End Engineering Design Price Control Deliverable – for Gas Distribution

4. PCD delivery status

Section summary

This section explains how Ofgem will determine the delivery status of the outputs network companies are funded to deliver.

4.1. The assessment of delivery status for Mechanistic PCDs are based on volumes delivered. Each unit is not further divisible, and it is not possible for a unit of a Mechanistic PCD to be part-delivered. Licensees are required to report on the number of units of each Mechanistic PCD that have been delivered in the relevant regulatory year.

4.2. Evaluative PCDs may be assigned one or more of the following delivery statuses for reporting and assessment purposes.

- **Fully Delivered.** Where the licensee has delivered the output set out in the relevant licence condition on or before the delivery date set out in the relevant licence condition.
- **Fully Delivered With Alternative Specification.** Where the licensee has delivered a different specification to the one set out in the licence, while achieving a Consumer Outcome that is materially equivalent or better than would have been delivered by the original specification, on or before the delivery date set out in the relevant licence condition.
- **Partially Delivered.** Where the licensee has delivered some, but not all, of the works specified in the licence.
- **Partially Delivered With Alternative Specification.** Where the licensee has delivered a different specification to the one set out in the licence, while achieving only a part of the Consumer Outcome that would have been delivered by the original specification, on or before the delivery date set out in the relevant licence condition.
- **Delayed.** Where the licensee has not delivered the PCD output by the delivery date set out in the relevant licence condition, but intends to deliver in full or part at a later date.
- **Not Delivered.** Where the licensee has not delivered the PCD output by the delivery date set out in the relevant licence condition, and does not intend to deliver in full or part at a later date.

4.3. We expect licensees to set out their view of the delivery status of each Evaluative PCD as part of the relevant Basic PCD Report (see chapter on PCD reporting). We will form our own view of the delivery status once we have completed our assessment of the information provided by the licensee.

5. Adjustments to allowances

Section summary

This section explains how Ofgem will determine the value of allowances to be recovered for PCD output(s) not delivered by the licensee.

Mechanistic PCDs

- 5.1. For Mechanistic PCDs, where a licensee does not deliver the target volumes or numbers of units of the output by the delivery date set out in the relevant licence condition, the value of downward adjustments to allowances will be calculated using the formula and parameters set out in the relevant licence condition.
- 5.2. The value of allowances associated with the relevant PCD output to be recovered will be calculated based upon the data submitted by licensees in the PCD tracking template that form part of the annual reporting packs.
- 5.3. We do not expect to make an upward adjustment to allowances if the licensee delivers more than the target volume or number of units of the output.²

Evaluative PCDs

- 5.4. In line with our PCD framework principles, Ofgem will not make adjustments to allowances associated with Evaluative PCDs in the following circumstances:
- The PCD output is assessed by us as Fully Delivered; or
 - The PCD output is assessed by us as Fully Delivered With Alternative Specification and any underspends achieved by the licensee relative to associated allowances is demonstrated by the licensee to be attributable to efficiencies and/or innovation.

² For the avoidance of doubt, the does not cover the Gas Distribution Repex PCD

5.5. Where the licensee can demonstrate that it has undertaken the work required to deliver the PCD output in full as specified in the relevant licence condition, but for reasons outside its control, the output was not fully delivered, we may decide that adjustments to allowances is not necessary.

5.6. In all other cases, the Authority will consider making reductions to the value of allowances associated with the relevant PCD output, based upon the following principles:

1. Where the PCD is assessed by us as 'Not Delivered', we will reduce allowances by the entire amount associated with the PCD less the efficient costs of undertaking reasonable and necessary work up to the point of cancellation, e.g. upfront engineering assessments. It is the responsibility of the licensee to demonstrate that such costs were reasonable, necessary and incurred efficiently.
2. Where the PCD is assessed by us as 'Delayed', we may re-profile allowances associated with the relevant PCD output to match the profile of actual delivery of work or expenditure. Ofgem will only re-profile allowances where doing so would lead to a material reduction in the cost to consumers. If appropriate, we will notify to the licensee an alternative submission date for the Basic PCD Report taking account of the licensee's delivery plan.
3. In all other cases, Ofgem will adjust allowances associated with the relevant PCD such that consumers pay the efficient costs of any work that has been delivered, or the Consumer Outcome achieved by the work that has been delivered, to the extent that such works are not funded elsewhere in the price control.
4. For the avoidance of doubt, licensees cannot expect the outcome of any adjustment to increase the allowance associated with the PCD.

5.7. The value of any adjustments to allowances for individual Evaluative PCDs will be determined by Ofgem on a case by case basis, taking account of the particular characteristics of the PCD and what was delivered.

5.8. Where licensees have delivered the output in part, to the specification set out in the relevant licence conditions, Ofgem may determine the value of adjustments to allowances associated with the relevant PCD output using a pro rata adjustment as follows:

$$\text{Adjustment to allowances} = ((1 - \text{Proportion of output delivered}) * \text{ex ante allowance})$$

5.9. We would determine the proportion of output delivered on a case-by-case basis depending on the nature of the output. For instance:

- Where the output is defined by reference to discrete and observable characteristics, such as length of new circuit or capacity of transformers, we may determine the proportion of output delivered using the ratio of delivered characteristic (e.g. length, capacity) to the target.
- Where the Consumer Outcome associated with the PCD can be observed or estimated, we may determine the proportion of output delivered using the ratio of Consumer Outcome delivered against the target value.
- In other cases, we may determine the proportion of output delivered using the ratio of efficiently incurred expenditure against the allowance linked to the PCD.

5.10. We may draw on more than one approach to determine the proportion of output delivered.

5.11. Where licensees have delivered alternative specifications compared to that set out in the relevant licence conditions, and have not demonstrated that any cost savings achieved relative to allowances are attributable to efficiencies or innovation, Ofgem will make adjustments to allowances associated with the relevant PCD output. Through these adjustments, Ofgem will aim to ensure that the adjusted allowance matches the efficient cost of delivering the specification (or part thereof) actually delivered.

5.12. Where we make an adjustment to allowances, we will determine the proportion of the adjustment that should be attributed to each Regulatory Year of RIIO-2, having regard to the timing profile of actual expenditure reported by the licensee.

5.13. Ofgem will determine the split between Fast Money and RAV additions for the value of the adjustment to allowances having regard to the original split of the allowance linked to the PCD.

6. PCD reporting

Section summary

This section sets out the reporting requirements for licensees.

6.1. For both Mechanistic and Evaluative PCDs, licensees are required to submit duly completed reporting templates and associated commentary as part of the RIIO-2 Regulatory Reporting Templates (RRP) as directed by the relevant Regulatory Instructions and Guidances (RIGs).

6.2. For Mechanistic PCDs, the reporting requirement is expected to be relatively light and used for the purposes of tracking delivery of PCDs, and any associated adjustments to allowances.

6.3. For Evaluative PCDs, the reporting templates will aim to capture high-level information about the status of each PCD, including:

- Progress towards delivery of the relevant PCD output;
- likely date of project completion;
- any external factors that may impact delivery;
- the application of alternative specifications to deliver the PCD output;
- the indicative value of any potential adjustments to baseline allowances that may be required.

6.4. For each Evaluative PCD, licensees are required to submit a Basic PCD Report at the same time as the Regulatory Reporting Template submission due in the regulatory year following the year in which the PCD was due to be delivered.

6.5. The Basic PCD Report must include the following information:

- PCD identification (e.g. Licence Condition, Scheme Name)
- The delivery status of the PCD. As far as possible, the licensee should use one of the delivery statuses set out in Chapter 4.

- A brief description of the work actually delivered;
- If the PCD has not been delivered, or if the work delivered does not meet the PCD specification, a brief explanation of the reasons for non-delivery or variation.
- If the delivery of the PCD has been delayed, a brief explanation of the reason for the delay and a timeline for completion.
- An annual breakdown of actual expenditure incurred.

6.6. Following our assessment of the Basic PCD Report, we will determine a provisional PCD delivery status and may decide to undertake a Full PCD Review. We expect to undertake a Full PCD Review in all cases except those where the PCD is Fully Delivered.

6.7. Where we have decided to undertake a Full PCD Review, we will ask the licensee to submit a Full PCD Report with the appropriate contents as set out below, which the licensee must submit within 28 days of the request.

6.8. The expected contents of the Full PCD Report will depend on the individual circumstances of the PCD and its delivery status as determined by us. These are set out in the following paragraphs.

6.9. In the case of Late Delivery, unless otherwise notified by Ofgem, the licensee must provide:

- a. A detailed description of what has been delivered and when, compared to the outputs in the relevant licence condition;
- b. A detailed delivery plan setting out the licensee's plans and timelines for completion of the delivery of the PCD output;
- c. An explanation of the reasons for the delay along with details of steps taken to prevent further delays;
- d. Expenditure incurred to date, and forecast expenditure;
- e. The licensee's proposals for any re-profiling of the value of allowances associated with the relevant PCD output;

6.10. In the case of Partial Delivery, unless otherwise notified by Ofgem, the licensee must provide:

- a. A detailed description of the output delivered compared to the requirements of the licence;
- b. An explanation for the partial delivery;

- c. The licensee's view of the proportion of output delivered, including supporting evidence and analysis.
- d. The licensee's view of the efficient cost of delivering the specification that was actually delivered, along with supporting information;
- e. The licensee's proposals for any adjustments to allowances.

6.11. In the case of Delivery With Alternative specification, unless otherwise notified by Ofgem, the licensee must provide:

- a. The licensee's explanation of how the Consumer Outcome delivered by the alternative specification compares in the short and long term with the original output, along with supporting evidence of this.
- b. The licensee's view of what the "ex-ante" allowance for the efficient cost of delivering the alternative specification should have been, along with supporting evidence.
- c. The licensee's actual incurred expenditure of delivering the specification that was actually delivered, along with supporting information.
- d. Where the licensee's actual expenditure is lower than the value of allowances associated with the relevant PCD output, a statement of whether the licensee considers this to be due to efficiencies or innovation, and supporting evidence to demonstrate this.

6.12. In the case where the output is Not Delivered, unless otherwise notified by Ofgem, the licensee must provide:

- a. A statement explaining the reasons for non-delivery including any supporting evidence.
- b. The licensee's view of the efficient costs of reasonable works that took place leading up to the cancellation or deferral in the consumer interest along with supporting evidence.
- c. The licensee's actual incurred expenditure.

6.13. Where Ofgem have schemes/projects that are covered by PCDs but also by other mechanisms that require additional information, then the Authority may advise that the Full PCD Report can be combined with other reporting requirements.

7. Process for the assessment of PCD delivery and allowance adjustments

Section summary

This section sets out the process we expect to follow as part of our PCD assessments.

7.1. We are committed to ensuring the assessment process is efficient, timely and proportionate with respect to individual PCDs.

Mechanistic PCDs

7.2. For Mechanistic PCDs, our assessment of delivery will be based on data reported by licensees in the PCD tracker template that forms part of the RRP.

7.3. Table 7.1 below sets out the assessment process for Mechanistic PCDs..

Table 7.1

Process for Mechanistic PCDs
1. Submission of PCD tracker template as part of the Regulatory Reporting Packs
2. Assessment including supplementary question (SQ) process <ul style="list-style-type: none"> Using the data from the RRP, Ofgem will calculate the value of the adjustment to allowances (where required) using the relevant formulae as stated in the relevant licence condition. Ofgem may issue supplementary questions (SQs), where it is necessary to complete the assessment.
3. Annual Iteration Process <ul style="list-style-type: none"> Ofgem will reflect the adjustment to allowances in the next Annual Iteration Process or as part of the RIIO-2 Close-out process in RIIO-3

Evaluative PCDs

7.4. For Evaluative PCDs, our assessments will usually commence upon receipt of the relevant Basic PCD Report. Licensees must submit the report by 31 July following the end of the financial year in which the PCD was due to be delivered unless otherwise directed

by the Authority. For example, if the PCD delivery date is 31 March 2023, the Basic PCD Report is due to be submitted by 31 July 2023, and the assessment process will commence shortly thereafter. Licensees may submit the Basic PCD report earlier than the 31 July of the relevant year, if they so wish to begin the assessment process.

7.5. In some cases, the delivery of a PCD output is a trigger for a re-opener submission. In such cases, the PCD assessment will be undertaken as part of the re-opener assessment.

7.6. Table 7.2 below sets out the indicative process for Evaluative PCDs. We will seek to complete the assessment process within a period of 9 months or less, so that our decision on allowance adjustments can be reflected in the Annual Iteration Process the year following the relevant review window. However, we recognise that for a variety of reasons this may not always be possible.

Table 7.2

Indicative Evaluative PCD assessment process
<p>1. Preliminary Review</p> <ul style="list-style-type: none"> Following the submission of the Basic PCD Report, Ofgem to conduct an initial assessment of whether the delivery of PCD output complies with relevant licence condition, using information submitted. Where possible, Ofgem to initially determine if PCD output is: <ul style="list-style-type: none"> Fully delivered Fully delivered using an Alternative Specification Partially delivered Partially delivered using an Alternative Specification Delivered late Not delivered (at all) Ofgem to notify to licensee whether Ofgem will undertake a Full PCD Review. If a Full PCD Review is required, Ofgem will initiate discussions with the network company to determine data requirements, and provide additional guidance where appropriate for the Full PCD Report, including deadlines for submission.
<p>2. Full PCD Report submission</p> <ul style="list-style-type: none"> Network company to submit its Full PCD Report to Ofgem by the specified deadline.
<p>3. Full PCD Review - including supplementary question (SQ) process</p> <ul style="list-style-type: none"> Ofgem will carry out a detailed assessment of delivery status and any adjustments to allowances based upon the information from the Full

PCD Report, responses to SQs and any other relevant information available to Ofgem.
4. Minded-To Decision (optional) <ul style="list-style-type: none"> Ofgem may consult on a minded-to decision if it considers that to be necessary. Otherwise the process will move immediately to the Draft Decision (below).
5. Draft Decision <ul style="list-style-type: none"> Ofgem will consult on the wording of its proposed direction for a period of not less than 28 days in accordance with the licence.
6. Decision <ul style="list-style-type: none"> Ofgem will issue a direction following consideration of consultation responses received³.
7. Annual Iteration Process <ul style="list-style-type: none"> Ofgem will reflect the impact on allowances of its decision in the next Annual Iteration Process.

7.7. For the avoidance of doubt, adjustments to allowances could be made in relation to previous Regulatory Years.

7.8. In assessing the delivery status of Evaluative PCDs and any associated adjustments to allowances, we will consider all relevant information, which may include information submitted by licensees in their RIIO-2 Business Plans and associated documents (including responses to SQs during the RIIO-2 review process).

Supplementary Questions (SQ)

7.9. The SQ process is intended for clarification purposes only. Network companies should not expect to use it as a means of submitting additional information that the Basic PCD Report and Full PCD Report should have included.

7.10. Network companies will be required to respond to an SQ within 5 working days unless otherwise specified by us.

³ Depending on the timing of the delivery date, some PCDs may be treated as part of RIIO-2 Close-out

Appendices

Index

Appendix	Name of Appendix	Page No.
1	Definitions	22
2	Illustrative scenarios for adjustments to allowances	23
3	Enter Text here	
4	Enter Text here	
5	Enter Text here	
6	Enter Text here	

Appendix 1 - Definitions

Definition of PCD terms

Terminology	Definition
Mechanistic PCD	is explained in Part 3.
Evaluative PCD	is explained in Part 3.
Basic PCD Report	means the report the licensee is required to submit for in line with SpC 9.3.3.
Full PCD Report	means the report the licensee is required to submit for in line with SpC 9.3.4.
Full PCD Review	means Ofgem's full assessment of Evaluative PCDs.
Efficiency	<p>means investment decision-making by the licensee that resulted in lower costs than could have been reasonably expected at the time of submitting the RIIO-2 Business Plan for the delivery of the Consumer Outcome of the PCD output.</p> <p>But does NOT mean costs avoided by delivering a lower Consumer Outcome than the original PCD output, or as a result of external factors such as demand growth, government policy etc.</p>
Innovation	<p>means:</p> <ol style="list-style-type: none"> 1) Solutions that have been trialled by any licensee as part of a NIA innovation project during the RIIO-1 or RIIO-2 periods; or 2) involves the application of novel technology, systems or processes that were not proven as at the time of submission of the RIIO-2 Business Plans.
Consumer Outcome	<p>means the benefits to customers or consumers in terms of maintenance of existing levels of, or improvements in the network's capability or resilience, or benefits to consumers in terms of service quality, that would have been delivered over the whole life of the PCD as specified in the relevant licence condition.</p> <p>In the context of works delivered by the licensee, this means the benefits to customers or consumers in terms of maintenance of existing levels of, or improvements in the network's capability or</p>

	resilience, or benefits to consumers in terms of service quality, that would be delivered over the whole life of the works delivered.
--	---

Appendix 2 - Illustrative scenarios for adjustments to allowances

In this annex we provide illustrative examples of the potential adjustments to the value of allowances associated with the PCDs. These examples are purely illustrative, and Ofgem will determine adjustments to allowances on a case-by-case basis taking account of all relevant information.

Hypothetical example 1 (late delivery):

Original defined PCD: £200m to deliver 1000MW boundary capability based on newbuild of OHL.

At the delivery date, £160m has been spent to deliver 800MW boundary capability based on the solution defined in the licence, licensee demonstrates that they intend to deliver the remaining 200MW boundary capability late by one year.

We may decide to re-profile allowances such that 20% of the allowance is deferred to the year after the original deadline.

The licensee will be directed to provide a Basic PCD Report after the revised delivery date.

Hypothetical example 2 (alternative specification):

Original defined PCD: £200m to deliver 1000MW boundary capability based on newbuild of OHL.

At the delivery date, £160m spent to deliver 1000MW boundary capability based on a different specification than that specified in the PCD licence condition.

If the licensee can demonstrate that the cost savings of £40m is attributable to efficiency or innovation, we will not make any adjustments to allowances. Otherwise, we will assess the efficient costs of delivering the alternative specification, using the information and tools available to us. We will then adjust allowances downwards such that the allowance matches the assessed efficient costs.

Hypothetical example 3 (partial delivery with cost savings):

Original defined PCD: £200m to deliver 1000MW boundary capability based on newbuild of OHL.

The delivered solution costs £20m and delivers 800MW capability by the same solution specified in the relevant licence condition.

Ofgem will determine the proportion of the PCD output delivered using information available to it. One possible approach would be to use the boundary capability delivered. If that approach were to be applied in this case, we would assess that 80% of the output has been delivered, and the allowance would be adjusted downwards to 80% of the original allowance.

Hypothetical example 4 (cancellation):

Original defined PCD: £200m to deliver 1000MW boundary capability based on newbuild of OHL.

Construction is cancelled due to innovations in other areas of the network mitigating the need for new investment. £1m spent on desktop studies and system analysis that led to the decision to cancel the project.

If the licensee can demonstrate that the expenditure on desktop studies and system analysis was efficient and necessary, we will adjust allowances downwards by £199m so that the licensee retains the efficient costs incurred in undertaking those activities.