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RIIO-2 Final Determinations – SPT Annex (REVISED)

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Our aim for the RIIO-2 price controls is to ensure energy consumers across GB get better value for money, better quality of service and environmentally sustainable outcomes from their networks.

In 2019, we set out the framework for the price controls in our Sector Specific Methodology Decisions. In December 2019, Transmission and Gas Distribution network companies and the Electricity System Operator (ESO) submitted their business plans to Ofgem setting out proposed expenditure for RIIO-2. We assessed these plans, engaged with a wide range of stakeholders, and published our consultation on Draft Determinations in July 2020.

Based on a review of all the responses to our Draft Determinations, including further evidence received from the companies and wider stakeholders as well as a period of further engagement including Open Hearings, this document, and others published alongside it, set out our Final Determinations for company allowances under the RIIO-2 price control, which will commence on 1 April 2021.

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1. Introduction and overall package

Purpose of this document

1.1 This document sets out our Final Determinations for the Electricity Transmission (ET) price control (RIIO-ET2) for the areas that are specific to Scottish Power Transmission (SPT) focusing on its:

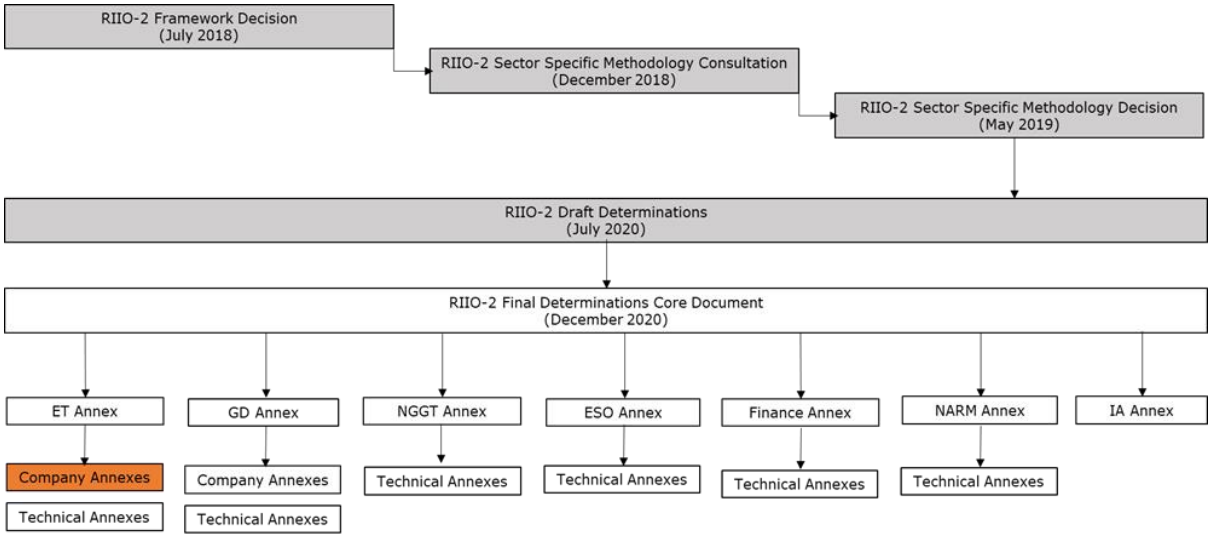
- Baseline cost allowances
- Output package, including Licence Obligations (LOs), Output Delivery Incentives (ODIs)[1] and Price Control Deliverables (PCDs)
- Uncertainty Mechanisms (UMs)
- Level of Network Innovation Allowance (NIA)
- Business Plan Incentive (BPI).

1.2 All figures are in 2018/19 prices except where otherwise stated.

1.3 This document is to be read alongside the RIIO-2 Final Determinations Core Document (Core Document), the RIIO-2 Final Determinations – Electricity Transmission Sector Annex (ET Annex) and the RIIO-2 Final Determinations – NARM Annex (NARM Annex). Figure 1 sets out where you can find information about other areas of our RIIO-2 Final Determinations.

[1] ODIs can be reputational (ODI-R) or financial (ODI-F).

Figure 1: RIIO-2 Final Determinations documents map



An overview of SPT's RIIO-2 price control

1.4 This section focuses on bringing together the key aspects of SPT's RIIO-2 Final Determinations. We present a summary of SPT's baseline Totex in Table 1. This reflects our view of efficient costs including ongoing efficiency over RIIO-2. For further details of any values, please refer to Chapter 3.[2]

Table 1: SPT's submitted versus allowed baseline Totex (£m, 2018/19 prices)

Cost area	SPT submitted Totex (£m)	Ofgem Draft Determinations allowed Totex (£m)	Ofgem Final Determinations allowed Totex (£m)
Load related capex	482.2	371.9	434.8
Non-load related capex	462.0	320.3	458.0
Non-operational capex	14.9	4.5	10.0
Network operating costs	110.1	85.6	110.1
Indirect opex	273.1	209.6	259.9
Other costs	43.9	37.8	23.4
Ongoing efficiency	-	-60.2	-69.9
Core Baseline Totex	**1,386.2**	**969.5**	**1,226.2**
Initial RPE allowances	N/A	N/A	30.6

[2] Where the source document is not stated, we are referring to this document (Final Determinations – SPT Annex, abbreviated to SPT Annex).

Cost area	SPT submitted Totex (£m)	Ofgem Draft Determinations allowed Totex (£m)	Ofgem Final Determinations allowed Totex (£m)
Innovation, pass through and other estimated items	N/A	N/A	320.1
Modelled upfront funding	**N/A**	**N/A**	**1,576.9**

1.5 In addition to the core baseline totex allowance of £1226.2m, we have also made allowances for items such as the initial RPE allowances, the network innovation allowances and the strategic innovation fund. Our financial model has also included estimated allowances for some uncertainty mechanisms, pass through costs and other revenue items. This results in a total modelled upfront funding of £1576.9m.

1.6 We have decided to set SPT's RIIO-2 Totex Incentive Mechanism (TIM) rate at 49%. Further details about TIM can be found in Chapter 10 in the Core Document.

1.7 Table 2 sets out the package of outputs that will apply to SPT during RIIO-2 – further details are contained within Chapter 2. For further details of our decisions on the bespoke proposals in SPT's Business Plan see Appendix 1.

Table 2: RIIO-2 outputs package for SPT

Output name	Output type	Applicable to	Further detail
Meeting the needs of consumers and network users			
Energy Not Supplied	ODI-F	ET sector	ET Annex, Chapter 2
Timely Connections	ODI-F	ET sector	ET Annex, Chapter 2
SO:TO Optimisation	ODI-F	ET sector	ET Annex, Chapter 2
Quality of Connections Survey	ODI-F	ET sector	ET Annex, Chapter 2
New Infrastructure Stakeholder Engagement Survey	ODI-R	ET sector	ET Annex, Chapter 2
Network Innovation Allowance	UIOLI	ET, GT, GD sectors	Core Document, Chapter 8
Maintaining a safe and resilient network			
Network Asset Risk Metric (NARM)	PCD and ODI-F	ET, GT and GD sectors	NARM Annex
Cyber Resilience OT	PCD and UIOLI	ET, GT and GD sectors	Core Document, Chapter 7
Cyber Resilience IT	PCD	ET, GT and GD sectors	Core Document, Chapter 7

Output name	Output type	Applicable to	Further detail
Network Access Policy (NAP)	LO	ET sector	ET Annex, Chapter 2
Large Project Delivery (LPD)	ODI-F and PCD	ET sector	ET Annex, Chapter 2
Pre-Construction Funding	PCD	ET sector	ET Annex, Chapter 4
Wider Works	PCD	ET sector	This document, Chapter 2
Shared Infrastructure Schemes	PCD	ET sector	This document, Chapter 2
Resilience and Operability – 515MVAr of Shunt Reactor and STATCOMs	PCD	SPT only	This document, Chapter 2
Resilience and Operability – Black Start	PCD	SPT only	This document, Chapter 2
Resilience and Operability – Harmonic Filters	PCD	SPT only	This document, Chapter 2
Resilience and Operability – Generation Export Management System	PCD	SPT only	This document, Chapter 2
Resilience and Operability – Circuit Rating Management System	PCD	SPT only	This document, Chapter 2
Non Load – Torness Reactor Replacements	PCD	SPT only	This document, Chapter 2
Non Load – SF6 CB replacements	PCD	SPT only	This document, Chapter 2
Delivering an environmentally sustainable network			
Net Zero and re-opener development	UIOLI	ET, GT, GD sectors	Core Document, Chapter 7; ET Sector Annex, Chapter 2
Environmental Action Plan and annual environmental report	ODI-R and LO	ET, GT, GD sectors	Core Document, Chapter 4; ET Annex, Chapter 2
Business Carbon Footprint	ODI-R	ET, and GD sectors	Core Document, Chapter 4; ET Annex, Chapter 2
Environmental Scorecard	ODI-F	ET sector	ET Annex, Chapter 2
Insulation and Interruption Gas (IIG) leakage incentive	ODI-F	ET sector	ET Annex, Chapter 2
Visual amenity in designated areas provision	PCD, UM	ET sector	ET Annex, Chapter 2
Maximising environmental benefit from non-operational land	ODI-R	SPT only	This document, Chapter 2

Output name	Output type	Applicable to	Further detail
Net Zero Fund	UIOLI	SPT only	This document, Chapter 2
Environmental Enhancement Requirements	UIOLI	SPT only	This document, Chapter 2

1.8 We set out the UMs that will apply to SPT during the RIIO-2 price control period in Table 3. For further detail of our decision on the UMs for SPT, see Chapter 4.

Table 3: RIIO-2 Uncertainty Mechanisms package for SPT

UM name	UM type	Applicable to	Further detail
Bad Debt	Pass-through	ET, GT, GD sectors	Finance Annex
Business Rates	Pass-through	ET, GT, GD sectors	Finance Annex
Ofgem Licence Fee	Pass-through	ET, GT, GD sectors	Finance Annex
Pensions (pension scheme established deficits)	Re-opener	ET, GT, GD sectors	Finance Annex
Tax Review	Re-opener	ET, GT, GD sectors	Finance Annex
Cost of debt indexation	Indexation	ET, GT, GD sectors	Finance Annex
Cost of equity indexation	Indexation	ET, GT, GD sectors	Finance Annex
Inflation Indexation of RAV and Allowed Return	Indexation	ET, GT, GD sectors	Finance Annex
Real Price Effects	Indexation	ET, GT, GD sectors	Core Document, Chapter 7
Cyber Resilience OT	Re-opener	ET, GT, GD sectors	Core Document, Chapter 7
Cyber Resilience IT	Re-opener	ET, GT, GD sectors	Core Document, Chapter 7
Non-operational IT and Telecoms Capex	Re-opener	ET, GT, GD sectors	Core Document, Chapter 7
Physical Security (PSUP)	Re-opener	ET, GT, GD sectors	Core Document, Chapter 7
Coordinated Adjustment Mechanism	Re-opener	ET, GT, GD sectors	Core Document, Chapter 7
Net Zero	Re-opener	ET, GT, GD sectors	Core Document, Chapter 7
Opex Escalator	Volume driver	ET sector	ET Annex, Chapter 4
Generation and Demand Connections	Volume driver	ET sector	ET Annex, Chapter 4
Large Onshore Transmission Investments (LOTI)	Re-opener	ET sector	ET Annex, Chapter 4

UM name	UM type	Applicable to	Further detail
Pre-Construction Funding	Re-opener	ET sector	ET Annex, Chapter 4
Medium Sized Investment Projects (MSIP)	Re-opener	ET sector	ET Annex, Chapter 4
Access Reform	Re-opener	ET Sector	ET Annex, Chapter 4
Visual amenity in designated areas	Re-opener	ET sector	ET Annex, Chapter 2
Uncertain non-load projects	Re-opener	SPT only	This document, Chapter 4

1.9 We have decided to set £13.5m for SPT's RIIO-2 NIA, conditional on the implementation of an improved reporting framework. For further detail of our decision on the NIA for SPT, see Chapter 5.

1.10 Table 4 summarises the outcome of RIIO-2 BPI performance for SPT each of the four stages of the incentive. For further detail of our decision on the BPI for SPT, see Chapter 6 in this document and Chapter 10 in the Core Document.

Table 4: RIIO-2 BPI performance for SPT

BPI stage	Final Determination
Stage 1 - Minimum requirements	Pass
Stage 2 – CVP reward	Reward of £2.06m for 1 CVP
Stage 3 – Penalty	£0m
Stage 4 – Reward	£2.94m
Total	**£5m Reward**

1.11 Table 5 summarises the financing arrangements that we have decided to apply to SPT. Please refer to the Finance Annex for more detail on these areas.

Table 5: RIIO-2 financing arrangements for SPT[3]

Finance parameter	SPT rate	Source
Notional gearing	55%	Finance Annex
Cost of Equity	4.25%	
Expected outperformance	0.22%	
Allowed return on equity	4.02%	
Allowed return on debt	1.82%	

[3] We present here a forecast average of RIIO-2 allowed returns. Final allowances for debt and equity from 2022/2023 onwards will reflect changes in market observations. Totals may not add due to rounding. Please see Finance Annex for further detail.

Finance parameter	SPT rate	Source
Allowed return on capital	2.81%	

2. Setting outputs

2.1 This Chapter sets out our decisions for each output area that will apply to SPT and lists out all use-it-or-lose-it (UIOLI) allowances specific to SPT. It is structured under the headings of the RIIO-2 outcomes:

- meet the needs of consumers and network users
- maintain a safe and resilient network
- deliver an environmentally sustainable network.

2.2 This Chapter does not repeat the rationale for any changes from Draft to Final Determinations that are already set out either in the Core Document, the ET Annex or in Chapter 3 of this document. Table 2 above sets out where further detail on our decisions can be found.

Meet the needs of consumers and network users

2.3 This section sets out our decisions for each of SPT's outputs related to delivering a high quality and reliable service to all network users and consumers, including those in vulnerable situations, in RIIO-ET2.

Energy Not Supplied (ENS) ODI-F

Purpose: To encourage the ETOs to improve network reliability in an efficient way by managing short-term operational risk.

Benefits: Improving the reliability of electricity supply and reducing the negative impacts of disruption on consumers and network users.

Output Parameter	Final Determination	Draft Determination
ODI Type	Financial	Same as FD
Incentive Type	Reward/Penalty	Same as FD
Performance Measure	The volume of ENS each year. Establish an industry working group in RIIO-ET2 to include embedded generation in the calculation of the ENS performance measure for RIIO-ET3.	Same as FD

Output Parameter	Final Determination	Draft Determination
Performance Target	130MWh	86MWh – see the Chapter 2 in the ET Annex for detail.
Baseline Setting Methodology	50% weighting on average ENS performance during RIIO-ET1 (2013-2019) 25% weighting on average ENS performance during TPCR4 (2007-2012) 25% weighting on average ENS performance during TPCR3 (2000-2006)	Same as FD
Incentive value	The incentive rate is set to the Value of Lost Load (VoLL) in 2018/19 prices (£21,000/MWh). The financial reward or penalty is calculated by multiplying the difference between actual ENS and the performance target, by VoLL and applying the TIM sharing factor. We will consider updating the VoLL if there is new evidence during RIIO-ET2 that its value has changed materially.	Same as FD
Financial Collar on Penalties	1.9% of ex-ante Base Revenue	3% of ex-ante Base Revenue
Reporting method	Annual RRP reporting	Same as FD
Applied to	All ETOs with company specific value	Same as FD
Licence condition	Special Condition 4.2	N/A

Timely Connections ODI-F

Purpose: To encourage the efficient timely delivery of connection offers to applicants (via the ESO) for new connections to the Transmission Network.

Benefits: Higher quality of service to connection customers, improved stakeholder engagement between connection customers and network companies, and streamlined new connections.

Output parameter	Final Determination	Draft Determination
ODI type	Financial	Same as FD
Incentive type	Penalty only	Same as FD
Performance measure	Performance will be measured annually by the number of offers which are timely (made within	Same as FD

Output parameter	Final Determination	Draft Determination
	three months, minus 13-15 working days)[4] as a percentage of the total number of offers	
Performance target	100%	Same as FD
Incentive value	The penalty is calculated by dividing the total number of untimely offers, by the total number of offers, multiplied by 0.5% of ex-ante Base Revenue	Same as FD
Cap	N/A	N/A
Collar	0.5% of ex-ante Base Revenue	Same as FD
Reporting method	Annual RRP reporting	Same as FD
Applied to	All ETOs	Same as FD
Licence condition	Special Condition 4.4	N/A

SO:TO optimisation ODI-F

Purpose: A two-year trial incentive to encourage the ETOs to provide solutions to the ESO to help reduce constraint costs according to the STCP11-4 procedures.

Benefits: A reduction in constraint costs.

Output parameter	Final Determination	Draft Determination
ODI type	Financial	We consulted on rejecting three bespoke proposals from each of the ETOs and a joint ETO proposal that related to constraint cost mitigation in our Draft Determinations.
Incentive type	Reward only during the trial period of year 1 and 2 of RIIO-2. Following the trial, the performance of this ODI-F will be assessed through a report provided jointly by the TOs and another report provided separately by the ESO.[5] The details of this performance report will be provided in the relevant governance document, which we will aim to consult on prior to April 2021. The incentive could be extended to the remaining years of RIIO-2 subject to the review of the trial.	
Performance measure	The ex-ante forecast constraint savings provided through the solutions delivered by the ETO, as determined by the ESO through the usual STCP11-4 processes[6].	

[4] See Standard Licence Condition D4A (Obligations in relation to offers for connection etc), and Part 2, Para 4.8.1 Section D of the System Operator – Transmission Owner Code (STC).
[5] Chapter 8 of the ESO annex sets out our decision for the ESO's role within this trial ODI.
[6] STCP11-4 can be found on the ESO's website: https://www.nationalgrideso.com/document/141111/download

Output parameter	Final Determination	Draft Determination
Performance target	N/A	
Incentive value	10% of the forecast constraint cost savings from all solutions provided in that regulatory year.	
Cap (annual)	£2.5m	
Collar	N/A	
Reporting method	Annual RRP ETOs will provide a joint report on how this ODI-F has been utilised during the trial period. The format of this report will be provided in the relevant governance document. The ESO will report separately on their assessment of the benefit delivered through this ODI-F.	
Applied to	All ETOs	
Licence condition	Special Condition 4.7	

Quality of connections survey ODI-F

Purpose: To incentivise companies to improve the quality of service delivered to connections customers.

Benefits: Improving the quality of service delivered for current and future connections customers, thereby enabling the transition to a low carbon economy.

Output parameter	Final Determination	Draft Determination
ODI type	Financial	Same as FD
Incentive type	Reward only in year 1 Reward and penalty in years 2-5	We did not consult on these aspects of the QCS policy in DDs. In DD we consulted on switching off the incentive whilst we pilot the survey for baseline development purposes.
Performance measure	Measuring the satisfaction score from a scale of 1-10.	
Performance target	7.7/10 with a reward score cap of 9/10 and a penalty score collar of 6.4/10.	
Incentive value	Reward: 0.19% of ex-ante Base Revenue for each score point for year 1 0.38% of ex-ante Base Revenue for each score point for years 2-5 Penalty: 0.38% of ex-ante Base Revenue for each score point for years 2-5	

Output parameter	Final Determination	Draft Determination
Cap	0.25% of ex-ante Base Revenue for year 1 0.5% of ex-ante Base Revenue for years 2-5	
Collar	Not applicable for year 1 0.5% of ex-ante Base Revenue for years 2-5	
Incentive metrics review period	We will review the baseline target, cap, collar and incentive value in period.	
Reporting method	Annual RRP	Same as FD
Customer scope	The ETOs will survey their customers at common milestones, as set out in DD.	Same as FD
Survey provider and assurance	The ETOs can use their own survey provider	Same as FD
Applied to	All ETOs	Same as FD
Licence condition	Special Condition 4.5	N/A

New infrastructure stakeholder engagement survey ODI-R

Purpose: To encourage the ETOs to survey stakeholders impacted by new infrastructure projects on their stakeholder engagement experience.

Benefits: Tailored engagement that better meets the needs of local stakeholders impacted by transmission works.

Output parameter	Final Determination	Draft Determination
ODI type	Reputational	Same as FD
Measurement	Survey of stakeholders affected by new transmission projects on stakeholder engagement process.	
Reporting method	Reporting via the company's websites, where appropriate.	
Applied to	All ETOs	
Licence condition	No	

Maintain a safe and resilient network

2.4 This section sets out our decisions on each of SPT's outputs related to delivering a safe and resilient network that is efficient and responsive to change in RIIO-ET2.

Cyber Resilience OT and IT

2.5 Cyber resilience IT and OT outputs are not discussed in this document in the interests of national security. A separate confidential Cyber Resilience Annex has been provided to SPT.

Network Access Policy (NAP) LO

Purpose: To require ETOs to have in place a policy to support engagement between themselves and the ESO around outage planning.

Benefits: Enhanced outage planning coordination and communication between the respective ETOs and the ESO.

Output parameter	Final Determination	Draft Determination
NAP	Pursuant to paragraph 2J.13 of Special Condition 2J - Network Access Policy (SpC 2J) of the RIIO-1 licence, we have decided to approve the final version of the consolidated NAP which was submitted to us in May 2020 following some changes to the version of the NAP as submitted to us by the ETOs as part of their business plans[7].	Same as FD
Reporting requirements for RIIO-2	ETOs should publish the KPIs on their respective websites in a way that is accessible to users. These should be published within two months of the end of each Regulatory year. The KPIs should be accompanied by text explaining what they stand for, and year on year changes where applicable. The NAP working group will govern the processes and procedures to populate the KPIs to ensure transparency, alignment, and comparability between the ETOs' respective KPIs.	In DDs, we proposed to work with the network companies to agree the format of the reporting and publication of the KPIs ahead of our decision in Final Determinations
Applied to	All ETOs	Same as FD
Licence condition	Special Condition 9.10	2J

Large Project Delivery (LPD) ODI-F

Purpose: To incentivise the timely delivery of large transmission projects.

[7] The majority of the changes since December 2019 were made in order to add clarity and to simplify the language of the document following engagement with and feedback from the TOs' respective stakeholders.

Benefits: Minimising consumer detriment from projects being delivered late.

Output parameter	Decision	Draft Determination
ODI type	Financial	Same as FD
Incentive type	LPD is a combination of an ODI-F and a PCD. To remove financial benefit from delay based on either of the following: • Re-profiling mechanism • Milestone-based approach To ensure that consumer harm caused by delay is minimised: • Project Delay Charge	Same as FD
Performance measure	Performance will be assessed against the delivery dates for large (£100m+) projects, set out in licences on a project-by-project basis.	Same as FD
Performance target	Delivery of large (£100m+) projects by the delivery dates stated for them in the licence.	Same as FD
Incentive value	To be determined on a project-by-project basis	Same as FD
Cap	N/A	Same as FD
Collar	To be determined on a project-by-project basis	Same as FD
Reporting method	Annual RRP reporting on general progress and a specific independent report to confirm delivery of the output.	Same as FD
Applied to	All ET, GT, and GD companies	Same as FD
Licence condition	No – Where appropriate we will modify the licence during the RIIO-ET2 period when we decide to apply an LPD mechanism.	N/A

Pre-Construction Funding PCD

Purpose: To ensure that TOs are funded for the efficient costs that are incurred prior to commencing construction of large transmission projects.

Benefits: Allows timely development of important strategic projects whilst protecting consumers from providing pre-construction funding (PCF) for speculative projects.

Output parameter	Final Determination	Draft Determination
Type	Evaluative	Same as FD
Output	Delivery of planning consent and Final Needs Case approval for the following projects:	Same as FD

Output parameter	Final Determination	Draft Determination
	• E2DC: Torness - Hawthorn Pit; Eastern subsea HVDC link (£5.22m)	
Delivery date	End of RIIO-ET2	Same as FD
Totex baseline allowances	£5.22m	£2.14m
Re-opener	Yes – for new PCF PCDs, or where expected PCF costs are likely to be at least double those provided in baseline allowances.	Same as FD
Reporting method	• PCD report • Annual RRP reporting.	Same as FD
Adjustment mechanism	Ex post review for partial/non-delivery, with fixed percentages assigned to the varying degrees of delivery status. See ET Annex for details.	Same as FD
Companies applied to	All ETOs	Same as FD
Licence obligation	Special Condition 3.15	N/A

Wider Works PCD

Purpose: To manage the uncertainty associated with large load related reinforcement schemes.

Benefits: Protecting consumers from paying for work whose need is no longer apparent.

Output Parameter	Final Determination	Draft Determination
Type	Evaluative	Same as FD
Outputs	ECU2 East Coast 275kV Upgrade (£10.513m)	Same as FD
	HNNO Hunterston East -Neilston Reinforcement (£17.55m)	Same as FD
	WLTI Windyhill to Longannet 275 Circuit (£3.31m)	Same as FD
	ECVC Ecceles Shunt Compensation and Real Time Thermal Rating (£82.949m)	Same as FD
	DWNO Denny to Wishaw 400kV Reinforcement – Progression towards T3 output (£15.297m)	Same as FD
	ECUP East Coast Onshore 400kV - Progression towards T3 output (£29.713m)	Same as FD

Output Parameter	Final Determination	Draft Determination
Delivery date	See above	Same as FD
Totex baseline allowances	£159.332m	£159.332m
Re-opener	No	Same as FD
Reporting method	PCD report, as well as RRPs	Same as FD
Adjustment mechanism	Ex post review to determine delivery status	Same as FD
Companies applied to	SPT	Same as FD
Licence obligation	Special Condition 3.17	N/A

Shared infrastructure schemes PCDs

Purpose: To manage uncertainty with Load Related Reinforcement works which include significant non-load related elements or other external interfaces.

Benefits: Protecting consumers from paying for work not delivered.

Output parameter	Final Determination	Draft Determination
Type	Evaluative	N/A
	U and AT Route Uprating - £5.917m	N/A
	Gretna -Ewe Hill Overhead Line Replacement – £4.494m	N/A
Delivery date	All by 31 March 2024	N/A
Totex baseline allowances	£10.412m	N/A
Re-opener	No	N/A
Reporting method	PCD report, as well as RRPs	N/A
Adjustment mechanism	Ex post review to determine delivery status	N/A
Companies applied to	SPT Only	N/A
Licence obligation	Special Condition 3.17	N/A

Resilience and Operability PCDs

Purpose: To specify investments proposed by SPT to ensure network resilience and operability.

Benefits: Protecting consumers from paying for work not delivered.

Output parameter	Final Determination	Draft Determination
Type	Evaluative	Same as FD
Outputs	Generator Export Management System (GEMS) – £6.952m	Same as FD
	Install of 120MVA Harmonic Filters on 132kV Network – £20.883m	Same as FD
	Install of 515MVAr of Shunt Reactor and STATCOMs – £24.743m	Same as FD
	Install of 30 CBs with Point on Wave Switching for Blackstart Capability – £9.798m	Same as FD
	Circuit Rating Management System – £4.068m	Same as FD
Delivery date	31 March 2026	Same as FD
Totex baseline allowances	£66.444m	£58.3m
Re-opener	N/A	Same as FD
Reporting method	PCD report, as well as RRPs	Same as FD
Adjustment mechanism	Ex post review to determine delivery status	Same as FD
Companies applied to	SPT Only	Same as FD
Licence obligation	Special Condition 3.18	N/A

Non-Load Related PCDs

Purpose: To specify investments proposed by SPT to ensure long-term network reliability.

Benefits: Protecting consumers from paying for work not delivered.

Output parameter	Final Determination	Draft Determination
Type	Evaluative	N/A
Output	Torness Reactor Replacement - £6.733m	Proposed to reject – see Chapter 3.
	Replacement of six circuit breakers driven by SF6 leakage rates – £0.60m	Proposed to reject – see Chapter 3.
Delivery date	All by 31 March 2026	N/A
Totex baseline allowances	£7.333m	N/A
Re-opener	No	N/A
Reporting method	PCD report, as well as RRPs	N/A
Adjustment mechanism	Ex post review to determine delivery status	N/A
Companies applied to	SPT Only	N/A
Licence obligation	Special Condition 3.32	N/A

Deliver an environmentally sustainable network

2.6 This section sets out our decisions for each of SPT's outputs related to enabling the transition towards a smart, flexible, low cost and low carbon energy system for all consumers and network users in RIIO-ET2.

Environmental action plan and annual environmental report

Purpose: To ensure that the ETOs take responsibility for the environmental impacts arising from their networks and are more transparent in what they are doing to mitigate these.

Benefits: These mechanisms will support cross-sector consistency and greater environmental ambition from the companies.

ODI-R on business carbon footprint (BCF) reduction target

Output parameter	Final Determinations	Draft Determinations
ODI type	To set a common reputational incentive for SPT on their respective BCF reduction targets	Same as FD. We noted that SPT had to submit further information on its science-based CO2e reduction target for RIIO-2.
Measurement	Licensee's business carbon footprint comprising scope 1 and 2 emissions excluding electricity losses (based on GHG Protocol Corporate Standard); tonnes of carbon dioxide equivalent emissions (tCO2e)	BCF reduction targets proposed by licensees in their EAPs
Performance target	Licensee's BCF reduction target for the end of RIIO-2 (interpolated from each licensee's science-based target validated by the SBTi)	Same as FD
Reporting method	Annual RRP reporting and the AER	Same as FD
Applied to	All ETOs	Same as FD
Licence condition	N/A	N/A

SPT's EAP commitments[8]

Output parameter	Final Determinations	Draft Determinations
EAP commitments	We are accepting all of SPT'S EAP commitments (that are not bespoke PCD, ODI or UM) for: • Business carbon footprint reduction and related initiatives • Sustainable resource use, recycling and reducing waste • Reducing pollution to the local environment • Enhancing biodiversity and natural capital	Same as FD
Measurement	Milestones and metrics as specified in licensee's EAP	Same as FD
Performance target	Targets as specified by the licensee in its EAP	Same as FD
Reporting method	AER	Same as FD

[8] EAP commitments is the term we have given to the initiatives that the TOs included in their respective EAP to improve their environmental performance that were not otherwise specified as one of the components in the RIIO-2 output framework described in Chapter 4 of the FD Core Document ie licence obligations, price control deliverables or output delivery incentives. EAP commitments will have a formal status in the reporting guidance that we are developing for the Annual Environmental Report.

Output parameter	Final Determinations	Draft Determinations
Applied to	All ETOs	Same as FD
Licence condition	N/A	N/A

AER Licence Obligation

Output parameter	Final Determinations	Draft Determinations
Licence obligation	New requirement to publish in AER on progress in achieving EAP commitments, relevant ODIs, PCDs, UMs and an annual update on the environmental impact of network.	Same as FD
Applied to	All ET, GT and GD networks	Same as FD
Licence reference	Special Condition 9.1	Same as FD

Environmental Scorecard ODI-F

Purpose: To incentivise the TOs to outperform selected RIIO-2 targets in their Environmental Action Plans (EAP).

Benefits: The TOs will further reduce carbon emissions, improve the environment and reduce resource use for the benefit of existing and future consumers.

Output parameter	Decision	Draft Determination
ODI type	Financial	We did not consult on this proposal[9]
Incentive type	Reward and penalty	
Performance measure	Percentage change in any of the following impact areas: a) Operational transport emissions b) Business mileage emissions c) Waste recycling d) Waste reduction e) Water use reduction f) Environmental value of non-operational land g) Biodiversity net gain on new network projects	
Performance target	Annual reward and penalty thresholds that are to be specified by SPT for the impact areas a) to g) that are relevant to its network	

[9] We consulted on accepting the proposal for NGET only.

Output parameter	Decision	Draft Determination
Incentive value	• Incentive is calculated by comparing actual percentage change in impact areas a) to g) to annual performance reward/penalty thresholds. If actual percentage change is above or below relevant threshold SPT will receive a reward or a penalty. There is no reward or a penalty if actual percentage change is between the first penalty threshold and the first reward threshold. • Incentive rates are based on an estimate of the economic value of percentage change in each impact area calculated at the threshold (please see Appendix 1 for information on economic values used to set incentives). • TIM is applied to overall payment.	
Cap	Cap to be calculated after SPT has worked with stakeholders to set the incentive parameters and submitted these to Ofgem for review.	
Collar	Cap to be calculated after SPT has worked with stakeholders to set the incentive parameters and submitted these to Ofgem for review.	
Reporting method	Annual RRP reporting and AER	
Applied to	All ETOs	
Licence condition	Special condition 4.6	

Insulation and interruption gas (IIG) leakage ODI-F

Purpose: To incentivise a reduction in leakage of SF6 and other IIGs from assets on the transmission network, and to support the transition to low greenhouse gas alternative IIGs.

Benefits: Reduction in the volume of harmful leakage of greenhouse gas emissions from GB's Electricity Transmission network.

Output parameter	Decision	Draft Determination
ODI type	Financial	Same as FD. Decided at SSMD.
Incentive type	Reward and penalty	Same as FD. Decided at SSMD.

Output parameter	Decision	Draft Determination
Performance measure	IIG emissions leakage below the annual target are rewarded, with a penalty applied for emissions leakage above the target.	Same as FD. Decided at SSMD.
Performance target	• The baseline tCO2e target for year 1 of RIIO-ET2 will be calculated from multiplying SPT's IIG inventory at the end of RIIO-ET1 by the IIG Baseline Leakage Rate which has a value of 0.79% (the average leakage rate from 2013-20 with a 4% improvement factor) and by the tCO2e conversion factor. • Baseline tCO2e targets for years 2 and 5 of RIIO-ET2 will be the year 1 baseline tCO2e target adjusted for the forecast abatement of interventions approved through the MSIP or Net Zero reopeners, asset disposals and justified IIG asset additions.	We proposed to apply a 15% improvement factor to the average leakage rate from 2013-20 that is used to set the baseline tCO2e target for year 1. See Chapter 2 of ET Annex.
Incentive value	• Reward/penalty calculated by multiplying the value of CO2 equivalent (using the Non-Traded Carbon price), for every ton over or below the target. • TIM is applied to the calculated annual incentive.	Same as FD
Cap	N/A – Incentive value is based on the central estimate of the Non-Traded Carbon Price.	N/A
Collar	N/A	N/A
Reporting method	Annual RRP reporting	Same as FD
Applied to	All ETOs	Same as FD
Licence condition	Special Condition 4.3	N/A

Visual amenity in designated areas

Purpose: To fund mitigation projects that reduce the visual amenity impacts of existing infrastructure in National Parks, Areas of Outstanding Natural Beauty and National Scenic Areas.

Benefits: To restore the quality of visual amenity in National Parks, Areas of Outstanding Natural Beauty and National Scenic Areas for the enjoyment of current and future consumers.

UM parameter	Final Determination	Draft Determination
UM type	Re-opener	Same as FD
Re-opener window	Any time during the price control	Same as FD
Re-opener materiality threshold	Projects that reduce the impacts of existing transmission infrastructure on the visual amenity of National Parks, Areas of Outstanding Natural Beauty and National Scenic Areas	Same as FD
Authority triggered re-opener?	No	Same as FD
Additional requirements	Total expenditure cap of £465m in 2018-19 prices for all TOs' RIIO-ET2 mitigation projects. Expenditure cap includes £7.5m UIOLI allowance per TO for projects that utilise landscaping and environmental enhancement to mitigate visual impacts of existing infrastructure.	Same as FD
Applied to	All ETOs	Same as FD
Licence condition	Special Condition 3.10	N/A

Net Zero and re-opener development UIOLI

Purpose: To enable ETOs to fund early design and pre-construction work.

Benefits: Ensures that network companies are equipped to deal with the Net Zero challenge, and can act quickly to changing demands on the energy system and support quicker project delivery.

Parameter	Final Determination	Draft Determination
Type	Mechanistic	This UIOLI allowance was not proposed in our Draft Determinations.
Output	No specific outputs set – A use-it-or-lose-it (UIOLI) allowance that should be spent in accordance with the Net Zero and Re-opener Development Fund governance document.	
Delivery date	31 Mar 2026	
Totex baseline allowances[10]	£12m	
Re-opener	No	

[10] Figures have been rounded down

Parameter	Final Determination	Draft Determination
Reporting method	Annual RRP reporting, alongside reporting requirements for individual projects set out in the forthcoming Governance Document	
Adjustment mechanism	Formula defined in the licence	
Applied to	All ET, GT, and GD networks	
Licence obligation	Special Condition 5.4	

Maximising environmental benefit from non-operational land ODI-R

Purpose: To make land available at non-operational sites for community groups to install community generation projects and deliver biodiversity enhancements.

Benefits: Reduced carbon emissions and deliver biodiversity improvements for existing and future consumers.

Final Determination

Output parameter	Final Determinations	Draft Determination
ODI type	Reputational	Same as FD
Performance measure	MW of renewable generation installed by local community groups on SPT's non-operational land Number of sites being treated with environmental enhancement initiatives and the expected change in biodiversity units as a result of the interventions	Same as FD
Performance target	Community generation: at least 4 MW Environmental enhancement initiatives: 20 sites	Same as FD
Reporting method	Annual RRP reporting and Annual Environmental Report	Same as FD
Applied to	SPT only	Same as FD
Licence condition	No	Same as FD

Final Determination rationale and Draft Determination responses

2.7 We have decided to proceed with our DD proposal of an ODI-R for maximising the environmental benefit of non-operational land.

2.8 We received five consultation responses relating to this ODI-R. Only one stakeholder disagreed with accepting the ODI-R because they thought it was

unclear how this in the interests of consumers, or how the proposal facilitates effective competition in supply of electricity.

2.9 The ODI-R will enable the development of renewable energy sources from local community groups. This will contribute to an increase in renewable energy, and greater engagement of local communities in energy issues, which we consider should result in a modest reduction in carbon emissions. We consider that reducing carbon emissions is in the interests of existing and future consumers.

2.10 Making the sites available will also contribute to facilitating competition by allowing involvement of smaller developers such as local community groups in the supply of renewable energy.

Enhanced environmental requirements UIOLI

Purpose: To ensure SPT is funded to deliver no biodiversity net loss on major network projects included in its baseline, and to remediate contaminated land that is found during RIIO-ET2.

Benefits: Avoids potential harm to biodiversity from network projects in RIIO-ET2 and re-instates local environment value for existing and future consumers.

Final Determination

Output parameter	Final Determination	Draft Determination
Type	UIOLI	Not included
Output	1. Deliver biodiversity no net loss on following major network projects in baseline plan: • Hunterston East Neilston • Eccles voltage support • Windyhill/Lambhill turn-in • Generation connections • New GSPs • Network Rail connections • Glenlee to Tongland modernisation • Windyhill 275kV switchgear replacement • Longannet 275kV and switch replacement and future 400kV upgrade 2. Deliver remediation work to address land contamination (two or more significant sites)	Not included
Delivery date	End of RIIO-ET2	Not included

Output parameter	Final Determination	Draft Determination
Totex baseline allowances	£14.16m	Not included
Re-opener	No	Not included
Reporting method	Annual RRP reporting and evaluation report at the end of RIIO-ET2	Not included
Adjustment mechanism	UIOLI	Not included
Companies applied to	SPT only	Not included
Licence obligation	Special Condition 3.19	N/A

Final Determination rationale and Draft Determination responses

2.11 We have decided to introduce a UIOLI baseline funding allowance for SPT to deliver at least no net biodiversity loss on its baseline projects and to remediate land that it finds is contaminated during RIIO-ET2.

2.12 We did not consult on an UIOLI allowance in DDs, however, we did consult at DDs on whether there was a need to include a specific re-opener that SPT proposed in its business plan for making funding adjustments for this type of activity during RIIO-ET2. We also sought further information from SPT to better understand the level of uncertainty and the materiality of the expenditure.

2.13 In response to the need for a specific re-opener, SPT has provided further information on the nature and potential scope of these uncertain costs, and a cost forecast based on previous projects where significant ecological mitigation was delivered. Having reviewed this information, we are satisfied that the additional funding is needed for SPT to meet its related EAP commitments, and that these costs are not included in the baseline project funding that we consulted on for SPT capital expenditure baseline in DDs.

2.14 Although there is a small degree of uncertainty as to the exact costs of the enhanced environmental requirements for each project, we considered that the total value was not material enough to require a re-opener. Instead, we have decided that a portfolio approach using a UIOLI allowance is a more proportionate way to address the funding gap.

Net Zero Fund UIOLI

Purpose: To assist consumers and communities in vulnerable circumstances to build their capacity to address their energy issues, engage with the low carbon transition and contribute to the UK's Net Zero objective

Benefits: Consumers and communities in vulnerable circumstances can access support to make informed decisions, and explore/develop options to address energy needs and issues they face.

Final Determination

Output parameter	Final Determination	Draft Determination
Type	UIOLI	Same as FD
Output	To provide guidance and support to consumers and communities in vulnerable situations and contribute to the UK's Net Zero objectives.	To finance practical, low carbon initiatives that focus on energy projects to benefit communities and customers in vulnerable circumstances
Delivery date	31 March 2026	Same as FD
Totex baseline allowances	£5m	We consulted on a £20m proposal
Re-opener	No	Same as FD
Reporting method	Annual RRP reporting	Same as FD
Adjustment mechanism	UIOLI	Not included
Companies applied to	SPT only	Same as FD
Licence obligation	Special Condition 5.4	N/A

Final Determination rationale and Draft Determination responses

2.15 We have decided to accept SPT's bespoke NZF proposal but to reduce the funding to £5m instead of the £20m proposal in Draft Determinations. We have also decided to include two additional conditions. The first is to ensure that SPT's NZF focuses on activities it is best placed to deliver in its role as transmission owner. The second is to require SPT to make full disclosure that it is the sole responsible licensee for the NZF.

2.16 We received six responses on the bespoke Net Zero Fund proposal in Draft Determinations. Five stakeholders were supportive of the NZF proposal in general. Citizens Advice and SHET thought that accepting the NZF as a bespoke proposal for SPT only could cause some regional disparity in the provision of services for consumers and communities in vulnerable circumstances.

2.17 A DNO had a concern that the NZF would overlap with the Stakeholder Engagement and Consumer Vulnerability (SECV) incentive that operates in RIIO-ED1. It thought that Scottish Power Distribution, which operates in southern Scotland, could get an undue advantage in the current RIIO-ED1 SECV incentive from its association with SPT's NZF (both licensees are part of the SPEN group).

2.18 We considered the point about SPT's NZF UIOLI causing a difference in the provision of services between regions. By allowing the companies to initiate bespoke proposals that reflect the specific priorities of their stakeholders in RIIO-2, we generally accepted that this could be an outcome. This is especially the case if other companies did not work up firm proposals for similar schemes in their BPs.

2.19 We also think that it is possible to neutralise the impacts of potential overlap between the NZF in SPT's price control and the incentive arrangements for consumer vulnerability in the current and next ED price control. To do this we will require SPT to make full disclosure that it has sole responsibility for the NZF and that it is funded through its transmission price control allowances.

2.20 We have re-considered the level of funding for SPT's NZF. This is because we think that some activities that SPT proposed under the NZF, such as the direct funding of low carbon energy projects, extend far beyond what we consider is appropriate for consumers to fund SPT in its role as transmission owner.

2.21 However, consistent with how we have treated similar initiatives across other networks companies, we think that there is scope for SPT to positively contribute to supporting consumers in vulnerable situations during the low carbon transition. For example, there are likely areas where SPT could leverage its role in the community to work across the sectors, or with trusted third party organisations, to support vulnerable consumers to make informed decisions, and explore/develop options to address energy needs and issues that they face.

2.22 We expect SPT to focus the NZF on the type of activities that it is best placed to deliver in its role as transmission owner, and that the costs of this will be

comparatively low and have a minimal redistribution impact. Therefore, we have decided that £5m UIOLI funding is suitable for the NZF over RIIO-ET2.

3. Setting baseline allowances

3.1 This Chapter sets out our decision on allowances for the different cost areas within SPT's business plan submission. We have set baseline Totex allowances for SPT only where we are satisfied of the need for and certainty of the proposed work, and where there is sufficient certainty of the efficient cost of the work.

3.2 Table 6 below sets out the RIIO-ET2 Totex allowances for SPT, grouped by the main cost categories within the Business Plan Data Templates (BPDT).

Table 6: SPT Totex components

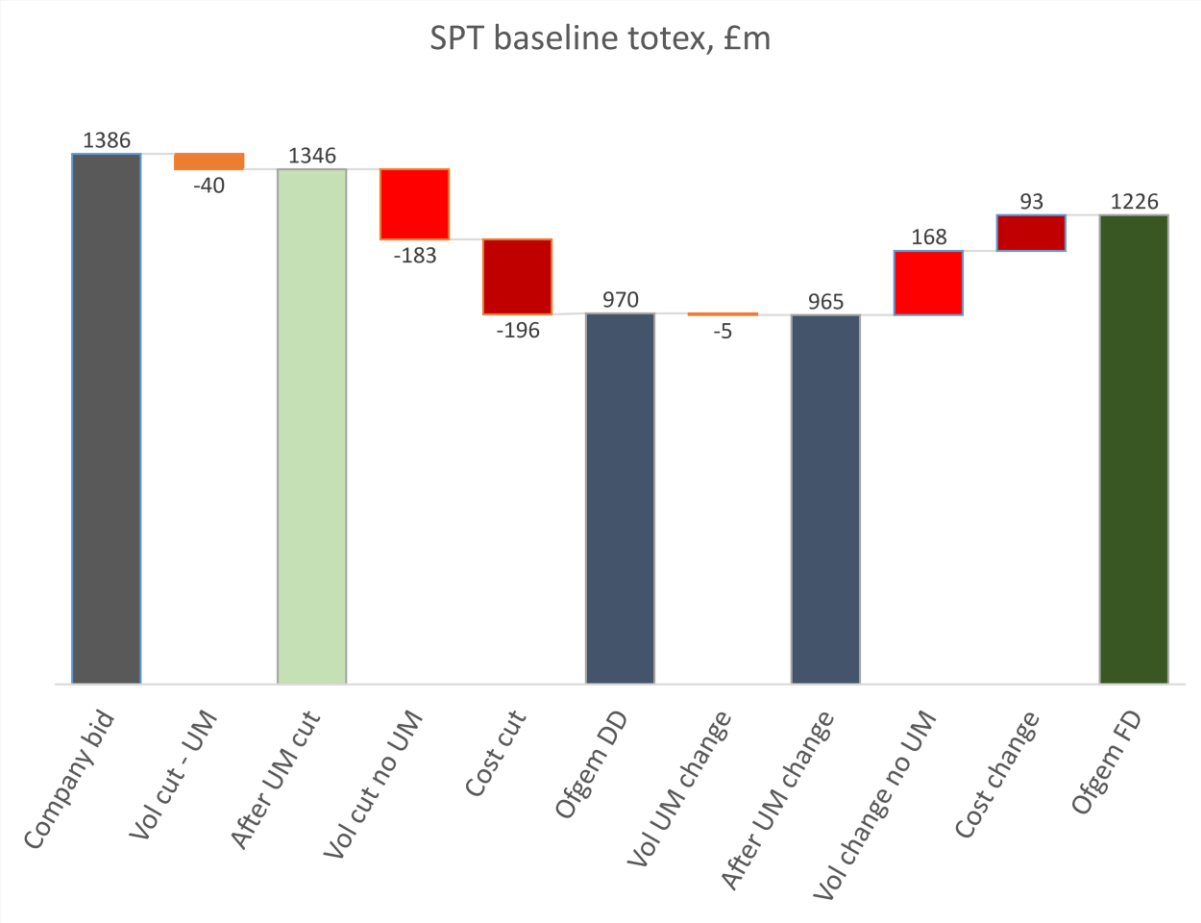
Totex category[11]	SPT proposed baseline (£m)	Ofgem DD baseline (£m)	Ofgem FD baseline (£m)
Load related capex	482.2	371.9	434.8
Non-load related capex	462.0	320.3	458.0
Non-op capex	14.9	4.5	10.0
Network operating costs	110.1	85.6	110.1
Indirect opex	273.1	209.6	259.9
Other costs	43.9	37.8	23.4
Ongoing efficiency	-	-60	-69.9
Total	1386.2	969.6	1226.2
Real Price Effects		39.0	30.6

3.3 We have decided to allow £1.22bn of SPT's £1.39bn baseline request. Of this baseline allowance, we have linked close to 70% to outputs with mechanisms such as price control deliverables (PCDs), volume drivers or use-it-or-lose-it (UIOLI) to reduce allowances for non-delivery. We have also set a number of uncertainty mechanisms to assess further potential expenditure during RIIO-ET2.

3.4 Figure 1 shows the adjustments we have made to SPT's requested baseline funding.

[11] Note reference to the company's forecast costs for projects within load and non-load related capex sections include Indirect opex costs related to the project, where the companies have provided these as part of gross costs. All Ofgem capex allowances for these projects are stated excluding Indirect opex costs, which are allowed separately as part of Indirect opex allowances.

Figure 1: SPT's baseline allowance



3.5 Of the total baseline Totex allowance that is subject to the BPI and TIM mechanisms[12], we have decided that £1186m is of high-confidence and £42m of lower-confidence. This results in a TIM rate of 49% for SPT.

3.6 None of the lower confidence costs are poorly justified, therefore there is no BPI Stage 3 penalty for SPT.

3.7 Where SPT have proposed high confidence costs lower than our independent benchmark, the difference is subject to a BPI Stage 4 reward. This results in an overall Stage 4 reward of £2.94m.

3.8 The following sections set out our decisions on SPT's allowances, and any differences from the allowances requested by SPT in its submissions.

[12] Note, certain allowances for example, those covered by cross-period funding mechanisms or adjustments like Ongoing Efficiency are not subject to the BPI and TIM mechanisms.

Capital expenditure (Capex)

3.9 We have reviewed SPT's submitted capital expenditure programme along the main cost categories of load related capex, non-load related capex and non-operational capex shown in Table 7.

Table 7: Capex allowances

Capex category	SPT proposed baseline (£m)	Work Volume Reductions (£m)	Cost Reductions (£m)	Work Volume Reductions subject to Uncertainty Mechanisms (£m)	Ofgem Baseline allowances (£m)
Load related capex	482.2	6.7	15.1	25.6	434.8
Non-load related capex	462.0	0.1	3.9	-	458.0
Non-operational capex	14.9	-	1.4	3.5	10.0

Load related capex

Final Determination rationale and Draft Determination responses

Assessment of the need for works

3.10 In our Draft Determinations for LR capex projects with outputs in the RIIO-ET2 and RIIO-ET3 period, we proposed to reduce SPT's requested allowance by £47m for Network Rail demand connections and for a circuit ratings management scheme because the needs cases for these had not been sufficiently justified. We also proposed a baseline reduction of £28m for the Branxton substation project because the needs case was too uncertain. We thought it would be more appropriate for SPT to progress it using an UM if the need for it became more certain.

3.11 For the remaining SPT LR capex projects with outputs in RIIO-ET2 and RIIO-ET3 periods, we proposed no additional work volume adjustments, and considered the associated outputs to be reasonable. In general, these projects were well-justified, and the needs cases were either linked to industry standard processes, such as the Network Options Assessment (NOA), or met credible local needs.

3.12 In response to our Draft Determinations, SPT submitted additional supporting evidence on the schemes and pre-construction funding that we proposed to reduce or reject in full. Our review of this additional evidence and decision for Final Determinations are presented in the table below. Please note that the cost figures in these tables represent gross cost adjustments based on volumes assessment and are all subject to Cost Assessment.

Project Proposal	Rationale for Draft Determination Position	Rationale for Final Determination Position
Branxton substation - a new substation to facilitate the connection of offshore wind on the East coast of Scotland and Eastern Link HVDC. The total project cost is £93.3m, of which £28m is expected to be incurred within the RIIO-ET2 period.	We proposed to reject the project because the needs case and timing for this project were too uncertain. We proposed to not include any baseline funding and instead proposed that SPT progress it using a UM, as and when the need for this project arises.	Following responses to consultation, our view on the uncertainty around timing and needs case for this project remains. Therefore, we have decided to retain the same position proposed in DD – to not include any baseline allowance for this project. However, SPT can use MSIP or LOTI, to request funding for this project when there is greater certainty.
Circuit ratings management - employ real time thermal ratings to individual circuits by using actual and forecast weather conditions to increase or decrease declared ratings. The total project cost is estimated to be £4.65m, of which the majority £4.3m is expected to be incurred within the RIIO-ET2 period.	We proposed to reject this project because SPT had provided limited justification in terms of quantifiable network benefit from the creation of the circuit management scheme. We invited SPT to provide additional evidence in response to DDs.	Since DDs, SPT has provided updated engineering justification on the direct benefit this scheme would have on their network. Having reviewed this additional evidence, we have accepted this project for inclusion in baseline funding, £4.07m, subject to a PCD to protect against the risk of under-delivery in the RIIO-ET2 period.
Pre-engineering works - relates to pre-engineering costs for a number of load-related projects. The total cost associated with these works is estimated to be £21.07m.	We proposed to accept with significant cost reduction because the needs case for pre-engineering costs at the level requested was not justified. Accordingly, we proposed reductions of £19.57m to the submission.	We have decided to allow £11.99m funding for preconstruction costs, based on additional evidence provided by SPT. A high degree of information was provided specifically for the EHVDC project. We have decided to allow £5.22m for the EHVDC works. For Synchronous Compensators and Torness Closure pre-construction costs, we have allowed £6.77m in baseline funding.

Project Proposal	Rationale for Draft Determination Position	Rationale for Final Determination Position
		We disagreed with the remaining justifications and have disallowed the rest of the funding request.
Black start- provision of Point on Wave Switching at designated locations across the SPT network and increased network flexibility. The total estimated cost was £15.62m	We had concerns over the timing and risk of deferral of delivery to outside of the RIIO-ET2 period. We proposed to approve the scheme for baseline funding subject to a PCD to protect against this risk.	We have decided to implement our proposal in DD. In our opinion, the risk of delivery deferral to beyond the RIIO-ET2 period remains. Therefore, funding for this project, £9.8m for ET2, will be subject to a PCD.
Generator Export Management System (GEMS) is intended to provide SPT with greater dynamic control of generation power flows on the transmission and distribution network in accordance with the commercial arrangements in place. The total cost of the system is estimated at £10m.	The GEMS has the potential to be more economical than building new infrastructure to facilitate the growing amounts of generation and offer benefits to the wider consumer. Therefore, we proposed a PCD for implementing the proposed scheme. The proposed baseline allowance was assessed at £6.79m and delivery of the scheme is required by 31 December 2022.	Following a review of feedback and cost justifications during the consultation phase on our DDs, our position on the potential benefits of this scheme remains unchanged. We have decided to implement the PCD for this scheme at an increased value of £6.95m.
To prevent voltage harmonics in excess of planning and compatibility limits on the 132kV network, SPT's baseline plan includes costs for the installation of harmonic filters at six different locations on its transmission system. The total estimated cost across all sites is £24m.	We proposed to allow £21.26m for the sites identified in SPT's baseline plan, which would be linked to a PCD. The PCD outputs would be the installation of standardised harmonic filter designs at six locations on SPT's 132kV network in the following sequence: 1. Black Hill, 1x20MVAR 2. New Cumnock, 1x20MVAR 3. Newton Stewart, 1x20MVAR 4. Margree, 1x20MVAR 5. Moffat, 1x20MVAR 6. Linnmill, 1x20VAR. Delivery of all would be required on or before 31 December 2026.	We have decided to approve these 6 schemes, for the reasons set out in DD, subject to a PCD: 1. Black Hill, 1x20MVAR 2. New Cumnock, 1x20MVAR 3. Newton Stewart, 1x20MVAR 4. Margree, 1x20MVAR 5. Moffat, 1x20MVAR 6. Linnmill, 1x20VAR. Delivery of all would be required on or before 31 December 2026. Following a review of the information provided by SPT regarding Indirect opex costs embedded in the 'Other' direct costs within the BPDT, the revised direct cost allowance for this project is £20.88m.

Project Proposal	Rationale for Draft Determination Position	Rationale for Final Determination Position
Network Rail load schemes	SPT did not provide any engineering justification papers for a number of Network Rail load schemes including: 1. Currie Feeder £8.329m 2. Marshall Meadows £11.924m 3. Innerwick Capacity Increase £3.53m As a result of not providing papers these schemes were not considered and not included in baseline.	SPT have now provided engineering justification papers for these schemes. As a result, we have decided to allow baseline funding of £18.4m for these, subject to the demand connections uncertainty mechanism. Please see Chapter 4 in this document.
Charlotte Street. SPT requested funding for the Transformer Replacement works required to complete this scheme which started in ET1, in the ET2 period. Funding Requested £1.87m.	**Reject:** Rejected by human error in progressing the overall assessment.	**Accept:** The scheme paper submitted by SPT fully explained the scheme, its progression within current period and the works required to complete in ET2. This was in line with the original ET1 submission. We have decided to approve the full £1.7m direct costs associated with this scheme in ET2.

3.13 Having reviewed the evidence SPT submitted in response to our Draft Determinations, we propose to reinstate £34.5m baseline LR capex funding.

Cost efficiency assessment

3.14 In our Draft Determinations, we proposed a reduction of £37m for efficiency adjustments. This comprised £16m of unit cost reductions and £21m on risk and contingency. The following sections detail our position on these elements for Final Determinations.

Unit costs

3.15 We conducted our own analysis of the efficient unit costs of the projects where we have accepted the needs cases. At Draft Determinations, we had proposed a £16m reduction in SPT's LR capex submission based on the outcome of our unit cost model. Since then, we have become aware of inconsistencies in how the asset cost data has been compiled by the ETOs. Accordingly, we have reviewed our asset unit costs based on discussion with the companies and have discarded certain unit costs for assets which had a large variation in the scope of works

between different ETOs and within different projects. Our view of efficient unit costs for SPT is now based on a combination of benchmarking across SPT, SHET, and the Electricity Distribution comparative data and an engineering review of their submitted costs. As a result, we have decided on a unit cost efficiency reduction of £8.16m across the LR capex projects, rather than the £16m reduction proposed at Draft Determinations.

Risk and contingency

3.16 For Final Determinations, we have revised our approach for determining risk and contingency costs for LRE. Details can be found in Chapter 3 of the ET Annex with regards to our approach for non-asset related risk and contingency costs.

3.17 For our assessment of the lead and non-lead asset elements of risk and contingency costs, our Draft Determination position was to assume that an element of risk and contingency was already embedded in the asset costs. Therefore, we had removed a corresponding amount from the risk and contingency allowance proposed for the total project.

3.18 SPT have provided evidence that showed the asset element of project costs are primarily informed by SPT's tendering framework, rather than by historical costs, and therefore do not contain embedded risk. In such instances, we have reinstated the originally requested risk and contingency allowance. Where we have used RIIO-ET1 historical cost information to set asset cost allowances, we have maintained the view that these contain embedded risk and contingency and have reduced the submitted project level request.

3.19 As a result of these changes, our decision on SPT's LRE capex is to reject £6.47m from risk and contingency costs compared to the £21m removed in Draft Determinations.

3.20 In addition to both the unit cost and risk and contingency reductions, there are reconciliation anomalies in SPT's submission which account for a further £0.5m reduction.

High and Lower Confidence proportion in baseline Totex allowance

3.21 Applying the methodology as set out in the Core Document, we have decided that of the proposed baseline allowance for LR capex that is subject to the BPI and TIM mechanisms, £386.9m is high confidence and £10.9m is lower confidence.

BPI Stages 3 and 4

3.22 In our Draft Determinations, we had classified all asset costs for which we did not have independent unit costs as lower confidence. However, in response to Draft Determinations, SPT challenged us that they had provided Ofgem with suitable independent information supporting all of their submitted costs, prior to our DD. In their view, just as we have classified their non-asset costs as high confidence, we should also classify asset costs as high confidence if we were satisfied with the independent information. We reviewed this information and decided that we are satisfied that SPT have provided suitable independent information for asset costs for us to classify them as high confidence.

3.23 Since Draft Determinations, we have accepted the ETO view that since we are benchmarking the risk and contingency allowance across the ETOs, this should be considered as a high confidence cost.

3.24 We have removed any related BPI Stage 3 penalty for schemes that we had proposed to reject at Draft Determination, but where sufficient justification has since been provided and where we have approved those schemes. Where we have high confidence in the proposed solution to deliver the stated output and our ability to independently set costs relating to these schemes, we have classified all associated costs as high confidence.

3.25 We have decided to exempt certain costs relating to pre-engineering works for projects due to deliver in RIIO-ET3 from our confidence assessments, and therefore the BPI and TIM mechanisms. This is due to the significant uncertainty around the need for this work.

3.26 Some costs for which we do not have independent cost benchmarks or which are related to schemes for which we do not have a high confidence in the proposed solution to deliver the stated output have been classified as lower confidence.

3.27 Of the £411m of SPT's submitted LR capex costs that are subject to the BPI and TIM mechanisms, we have decided to classify £400m as high confidence and £11m as lower confidence. None of these lower confidence costs have been disallowed therefore there is no BPI Stage 3 penalty on SPT's LR capex costs. As SPT's proposed high confidence costs were more efficient than our independent benchmark for high confidence costs, we have decided that SPT will be awarded a Stage 4 reward of £1.26m on its LR capex costs.

Summary of LR capex approved projects

3.28 The ET sector document identifies the differing treatments of LR capex projects depending on their start/end years and the type of work. Appendix 1 lists:

- The T1/T2 overlap projects that have allowances through this settlement.
- Those T2 baseline projects that fall under the generation and demand connection volume driver mechanism.
- The T2/T3 projects that will be trued-up as part of the T2 closeout or the setting of T3 process.

3.29 The PCDs and UIOLI associated with approved LR projects during the RIIO-ET2 period are detailed in Chapter 2.

Non-load related capex

Final Determination rationale and Draft Determination responses

Assessment of the need for works

3.30 In our Draft Determinations for NLR capex projects, we proposed to reduce SPT's requested baseline funding on three projects because the needs cases were not convincing. There was also a tranche of projects for which no needs cases were submitted, and so we rejected these. For the remaining SPT NLR capex projects, we did not propose any work volume adjustments, and we considered the associated outputs to be reasonable. We considered that, in general, the projects had been well-justified, and the needs cases were linked to industry standard processes and were appropriate to the identified issue.

3.31 In response to our Draft Determinations, SPT submitted additional evidence in support of their proposals for two of the three schemes that we had proposed to reject. We have reviewed this evidence and have decided to accept the needs case for each investment. For the third scheme, the SF6 Repair Works, which we considered had not been justified, SPT has proposed a PCD for the circuit breaker replacements. We have decided to accept this proposal. Our decision on each of these projects and the rationale are set out in the table below. Please note that the cost figures in these tables represent gross cost adjustments based on volumes assessment and are all subject to Cost Assessment.

Project Proposal	Rationale for Draft Determination Position	Rationale for Final Determination Position
400kV and 275kV Telecoms Resilience Project. This is a project designed to enhance the resilience of the existing telecoms network serving SPT's 275 and 400kV systems. £19.4m	**Reject**: The needs case for this major investment is predicated on the failure rate of existing assets and the impact of those failures on the Telecoms network resilience. Following a review of the EJP and follow up Supplementary Questions (SQs), we considered that insufficient evidence had been provided to support the assertion that the needs case was driven by asset failure.	**Accept**: SPT presented updated information that addressed our concerns around the lack of evidence supporting the assertions on failure rates and Telecoms Network Resilience. On the basis of this new information, we have decided to accept this scheme for the full requested amount, approving the full direct cost of £17.82m.
Torness 400kV Reactor Replacement. This is a substation asset replacement project. SPT are proposing the condition driven replacement of the asset and its associated equipment. £7.8m	**Reject**: The case for replacement of the 400kV Reactor at Torness is based on the condition information held on the Reactor, particularly the dissolved gas in oil results. While the information provided demonstrates an asset in the latter stages of its lifecycle, the condition information provided did not support intervention in RIIO-ET2. Degradation curves pointed towards monitoring in RIIO-ET2 with a review for potential RIIO-ET3 intervention.	**Accept**: SPT presented updated evidence and an independent expert report in support of their view that the Torness Reactor is at the end of its life. We note that there is still a gap in the history for the Reactor which prevents full analysis of the degradation curve. However, we have decided to accept this scheme and approve the requested £6.7m direct costs, attaching a PCD to protect consumers against non-delivery.
SF_6 Repair Work. This is a program of works replacing or refurbishing assets across all voltages that are leaking SF_6 gas. £4.77m.	**Accept with reduction:** We proposed to accept this but to reduce the volumes for circuit breaker (CB) replacement; the case for replacing some breakers has not been sufficiently made out. SPT's optioneering had not shown that the option of repair/refurbishment is impossible or uneconomic. We approved £3.25m.	**Accept in full**: SPT proposed that a PCD be applied to the CB replacement volumes. We believe that this would mitigate the risk of non-delivery of the CBs if repair is successful and we have therefore decided to accept SPT's proposal. We have therefore approved £3.91m with £0.60m subject to a PCD.
Westfield 132kV Switchgear Replacement. This was a request for T2 funding of £0.31m to progress the replacement of the 13 Bays at Westfield 132kV s/s.	**Reject:** No Engineering Justification paper was received or reviewed at Draft Determinations. Scheme was rejected by default.	**Accept:** SPT provided an EJP providing the justification for replacement of the switchgear. The switchgear is approaching end of life and the needs case for intervention is clear. On the basis of the evidence and optioneering provided we have approved £0.27m direct costs and expect a final funding request for the full scheme in SPT's ET3 Business Plans.

Project Proposal	Rationale for Draft Determination Position	Rationale for Final Determination Position
Non Rechargeable Diversions This is a diversions project that commenced in the ET1 period, but did not form part of SPT's ET1 Business Plan. SPT have submitted a request for £6.49m to cover works to be completed in the ET2 period. They are not seeking recompense for the ET1 monies already incurred.	**Reject:** No Engineering Justification paper was received or reviewed at Draft Determinations. Scheme was rejected by default.	**Accept:** SPT provided an EJP for the scheme which detailed the driver for the works, which commenced in ET1 period, the works completed to date and the works required to complete the scheme. We noted that SPT were not seeking recompense for expenditure already incurred in the ET1 period and were only requesting the funding to complete the works in ET2. We reviewed this case and have approved the ET2 funding in full, providing an allowance of £6.07m (direct costs).

3.32 Following our Draft Determinations, SPT submitted 13 new Engineering Justification Papers, papers that were not included in the December Submission but which had schemes in the Business Plans Data tables. These included: schemes where investment spanned RIIO-ET2 and RIIO-ET3 price controls, not preconstruction expenditure, but where schemes were known and would incur spend in RIIO-ET2; schemes started in T1 that carried over into T2; or schemes which SPT felt had been covered elsewhere in their plan, but we had not acknowledged. The proposed RIIO-ET2 expenditure in these schemes amounted to some £70m. The papers covered the following investment areas/schemes:

- Galashiels
- T3 Transformer Refurbishment/Replacement Works
- Giffnock SGT2
- OHL Major Refurbs (Various)
- Tower Painting
- Land Rights
- Diversions

- Injurious Affections

3.33 We have reviewed the papers and approved these schemes for Baseline Funding allowances.

Cost efficiency assessment

3.34 In line with the changes on unit costs and our approach to risk and contingency that we detailed in the LRE section above, we have changed our views on the efficient costs of the projects with approved needs cases. As a result, we have decided on a unit cost efficiency reduction of £0.33m across the NLRE projects, rather than the £15m reduction proposed at Draft Determinations.

3.35 We have decided to reduce SPT's requested NLRE risk and contingency costs by £3.59m compared to our proposed DD reduction of £17m.

High and Lower Confidence proportion of baseline Totex allowance

3.36 Applying the methodology as set out in the Core Document, we have decided that for our baseline allowance for NLR capex that is subject to the BPI and TIM mechanisms, £419m is high confidence and £31m is lower confidence[13].

BPI Stages 3 and 4

3.37 In line with the approach discussed in the LR capex section of this Chapter, we have classified as high confidence asset costs for which we have been provided suitable independent benchmarks. We have also classified risk and contingency costs as high confidence costs.

3.38 Of the £454m of SPT's submitted NLR capex costs that are subject to the BPI and TIM mechanisms, we have decided to classify £423m as high confidence and £31m as lower confidence[14]. None of these lower confidence costs have been disallowed therefore there is no BPI Stage 3 penalty on SPT's NLR capex costs. As SPT's proposed high confidence costs were more efficient than our independent benchmark for high confidence costs, we have decided that SPT will be awarded a Stage 4 reward of £1.68m on its NLR capex costs.

[13] Note these values are provided for information only as they include the effect of double entry by SPT in its submission of an element also included in the "Other costs" category. The final total outcome is not affected by this.
[14] As noted in previous footnote, these values are provided for information only as they include the effect of double entry by SPT in its submission of an element also included in the "Other costs" category. The final total outcome is not affected by this.

Summary of NLR capex approved projects

3.39 The ET sector document identifies the differing treatments of NLR capex projects depending on their start/end years and the type of work. Appendix 1 lists the RIIO-T2 funding element for T1/T2 cross over projects and the T2/T3 projects that will be trued-up as part of the T2 closeout or the setting of T3 process. The PCDs associated with approved NLR capex projects during the RIIO-ET2 period are detailed in Chapter 2.

Non-operational capex

3.40 Non-operational capex relates to assets not directly connected to the network, but which support the general functioning of the business. These costs can be broken into the following four categories: Property; Small tools, equipment, plant and machinery (STEPM); Vehicles and Transport; and Information Technology and Telecoms (IT&T).

Final Determination rationale and Draft Determination responses

3.41 SPT raised no objections to our DD proposals in respect of property expenditure and STEPM, both of which we had deemed efficient and proposed to allow in full. For the same reasons as set out in DDs, we have decided to implement our DD position.

3.42 SPT disagreed with our evaluation of the Non-operational IT and Telecoms (IT&T) elements of its business plan at Draft Determination and challenged the perceived lack of detail provided.

3.43 We have actively engaged with SPT since DDs to address the lack of detail and cost certainty within its IT&T investment portfolio. Following consideration of additional evidence which improved the quality of evidence in support of their investment from SPT, we have decided to provide baseline allowances for an additional number of IT projects that we had proposed in DDs to be subject to a re-opener. After applying our view of efficient costs, this takes our FD view of efficient funding for IT&T to £7.1m. The remaining IT investment projects will still be subject to a re-opener.

High and Lower Confidence proportion in baseline Totex allowance

3.44 Applying the methodology as set out in the Core Document, we have decided that of the proposed baseline allowance for Non-operational capex that is subject to the BPI and TIM mechanisms, £10m is high confidence with no lower confidence costs.

BPI Stages 3 and 4

3.45 We have decided to uplift the SPT non-operational capex allowance due to increased allowances for IT&T, due to the improvement in the evidence provided by SPT following our DD in support of SPT's original submission. Further detail on our rationale for this decision to increase the allowance can be found in section 3.42 above. This has resulted in an increase to high confidence costs at FDs in this cost category.

3.46 Of the £11.4m of SPT's submitted Non-operational capex costs that are subject to the BPI and TIM mechanisms, we have decided to classify all of them as high confidence. As our independent benchmark for the high confidence costs was more efficient than SPT's proposed costs, we have decided that there will be no Stage 4 reward on SPT's Non-operational capex costs.

Operational expenditure (Opex)

3.47 Operating expenditure comprises network operating costs and indirect operational expenditure shown in table 8.

Table 8: Opex allowances

Opex category	SPT proposed baseline (£m)	Work/Volume Reductions (£m)	Cost Reductions (£m)	Work Volume Reductions subject to UMs (£m)	Ofgem Baseline allowances (£m)
Network operating costs	110.1	-	-	-	110.1
Indirect costs	273.1	0.8	12.5	-	259.9

Network Operating Costs (NOC)

3.48 These costs can be broken into the following sub-categories as reported in the BPDTs:

- Faults
- Inspections
- Repairs and Maintenance
- Vegetation Management
- Operational Protection Measures and IT Capex
- Legal and Safety

Final Determination rationale and Draft Determination responses

3.49 In response to our DD proposals, SPT provided additional evidence in the form of detailed explanations of its proposed expenditure and associated activities. SPT also clarified the relationship between the cost and volume data submitted in its business plan, specifically the nuanced difference between activity levels in RIIO-ET1 versus RIIO-ET2 to better inform our cost assessment approach.

3.50 We have adjusted the costs and volumes input data for our cost assessment model to take account of the data clarifications above, as appropriate, and made qualitative adjustments to our analysis to reflect the additional evidence SPT provided. Our conclusion is that the SPT submission represents an efficient cost for the activity levels being proposed in RIIO-ET2.

High and Lower Confidence proportion in baseline Totex allowance

3.51 Applying the methodology as set out in the Core Document, we have decided that of the proposed baseline allowance for network operating costs that is subject to the BPI and TIM mechanisms, £110.1m is high confidence with no lower confidence costs.

BPI Stages 3 and 4

3.52 In our Draft Determination, we did not propose a BPI Stage 3 penalty as we considered SPT's network operating costs to be high confidence. We have decided to implement this proposal in our final determination.

3.53 As our independent benchmark for the high confidence costs was no more or less efficient than SPT’s proposed costs, we have decided that there will be no Stage 4 reward on SPT's network operating costs.

Indirect opex costs

3.54 Indirect Opex consists of Business Support Costs (BSC) and Closely Associated Indirect (CAI) costs. BSC are incurred supporting companies' general business activities while CAI costs support operational activities. A more detailed breakdown at the cost subcategory level can be found in Appendix 1.

Final Determination rationale and Draft Determination responses

3.55 We proposed in Draft Determinations to make reductions to the baseline BSC and CAI based on our assessment of efficient costs using econometric benchmarking. We also proposed to provide for an opex escalator to reflect the change in capex through UMs, based on the same coefficient used in our CAI model.

3.56 We have addressed a range of concerns in respect of our modelling that were common to all of the TOs in the ET Sector document.

3.57 SPT specifically expressed concerns about the suitability of econometric modelling for setting allowances, since the small sample size leads to an outcome with a large uncertainty range. They also considered that the proposed allowances do not take in to account the extra costs incurred when delivering work through uncertainty mechanisms. SPT proposed that allowances should instead be set based on RIIO-ET1 levels of indirect costs, with indexation over time for inflation, RPEs, ongoing productivity and changes in capex due to changing workload requirements.

3.58 They also considered that any such econometric modelling would not be able to factor in allowances for costs incurred due to unique network characteristics.

3.59 Our view on the points raised by SPT is as follows:

- Our position remains that the use of econometric regression modelling for deriving indirect opex allowances is appropriate, notwithstanding the relatively small sample size. We have considered a wide range of models with alternative cost drivers to gauge the reliability of the outcomes of our proposed model. We found that the results from these alternatives place the companies in largely the same relative positions. This would suggest that using SPT's proposed method of using RIIO-ET1 run rates would continue to propagate inefficient allowances into RIIO-ET2.

- However, we recognise that additional evidence in support of SPT's costs should be considered when setting final allowances. We have actively engaged with SPT to discuss both quantitative and qualitative evidence in support of their submission requests.

3.60 Following engagement with stakeholders, we have decided to assess some cost sub-categories outside of the econometric modelling process and instead conduct a bottom-up review of costs. Operational training, Wayleaves and costs arising from Environmental Action Plans are more bespoke to each company and so lend themselves to a more tailored assessment.

3.61 We have also considered the qualitative evidence presented by SPT on its disaggregated delivery model, which incurs higher levels of indirect costs through the "hands on approach" to project management in pursuit of a greater level of efficiency at a Totex level. Informed by our analysis and a range of model results, we have allowed for an uplift of £9m in BSC and £4.5m in CAI.

3.62 Our decision therefore is to make £259.9m of baseline allowance for SPT's indirect opex. We have also decided to adopt our Draft Determinations position of using an opex escalator (as set out in Chapter 4) to reflect changes in capex through UMs. Further detail of the implementation of the escalator is given in the ET Annex.

High and Lower Confidence proportion in baseline Totex allowance

3.63 Applying the methodology as set out in the Core Document, we have decided that £259.9m of the proposed baseline allowance for Indirect Opex that is subject to the BPI and TIM mechanisms, all is high confidence with no lower confidence costs.

BPI Stages 3 and 4

3.64 Since our DD position, increases to SPT's capex allowance, the workload driver in our CAI model, and a separate assessment of a number of Indirect cost categories, the details of which are set out in the section above, have seen an increase to the CAI allowances for our FD resulting in an increase to high confidence costs.

3.65 Of the £273.1m of SPT's submitted Indirect Opex costs that are subject to the BPI and TIM mechanisms, we have decided to classify all of them as high confidence. As our independent benchmark was more efficient than SPT's submission for high

confidence costs, we have decided that there will be no Stage 4 reward on SPT's Indirect Opex costs.

Other costs

3.66 The "other costs" category comprises cyber resilience costs, physical security costs and other administrative costs.

3.67 We are not publishing information on cyber costs due to the associated security issues. SPT will receive a report on its submission from Ofgem's cyber-security team.

3.68 SPT did not submit any costs under the Physical Security Upgrade Programme (PSUP), a BEIS-led national programme to enhance physical security at Critical National Infrastructure sites.

3.69 There were a wide range of minor cost elements submitted that did not readily fit in to the main cost categories, including those for servitudes, network diversions and injurious affection. We will true-up efficiently incurred costs for these items as part of RIIO-ET2 close out. We consider that SPT should not benefit or be penalised through the TIM in regard to these items, as any over or under-performance is not likely to be due to efficiency/inefficiency, but rather due to the nature of how the costs arise.

Ongoing efficiency and Real Price Effects (RPEs)

3.70 As detailed in the Core document, we have implemented ongoing efficiency at a rate of 1.15% (compounded annually) for capex and 1.25% (compounded) for opex. Please note that this has been applied to the allowances after application of the company's capitalisation policies.

3.71 The rate for deriving the estimated future view for RPE allowance, by year, is given in the table below.

Table 9: Rates applied for estimating future RPE allowances

Year	2022	2023	2024	2025	2026
Rate	1.44%	2.10%	2.69%	3.26%	3.83%

4. Adjusting baseline allowances for uncertainty

Introduction

4.1 This Chapter sets out our decisions on each Uncertainty Mechanism (UM) that will apply to SPT during RIIO-ET2 price control period.

4.2 Where a UM is common to all sectors or the ET sector, we do not repeat in this Chapter the rationale for any changes from Draft to Final Determinations, as this is already set out in either the Core Document or the ET Annex.

4.3 Where a UM is directly related to our baseline Totex assessment, relevant details can be found in Chapter 3.

ET UMs

Generation Connections volume driver / Demand Connections volume driver

Purpose: To ensure that ETOs are funded through an automatic mechanism to undertake load-related capital expenditure required to connect new generators and new demand customers seeking connection to the transmission system.

Benefits: Enabling ETOs to provide connections in a timely manner and consumer payment reflecting efficient costs for actual connections delivered.

Parameter	Final Determination	Draft Determination
Type	Volume driver	Form and values of volume driver based on regression analysis at the time.
Volume metrics	The following volume metrics are all measured relative to the defined baseline levels for each company: • the number of generation or demand connection projects; • the incremental Connection Entry Capacity (in Scotland) / Transmission Entry Capacity (in England and Wales) for generation connected to the network or the system capacity associated with connection of multiple new generation connections as specified in relevant agreement between the ETO and the ESO pursuant to the STC;	

<table>
<tr><th>Parameter</th><th>Final Determination</th><th>Draft Determination</th></tr>
<tr><td></td><td>• the incremental increase in the offtake capacity at grid exit points for demand connected to the network or the system capacity associated with connection of multiple new demand connections as specified in relevant agreement between the ETO and the ESO pursuant to the STC;
• length of new build OHL;
• length of reconductoring OHL;
• length of new underground cables each shorter than 1km; and
• length of new underground cables each equal to or longer than 1km.</td><td rowspan="5"></td></tr>
<tr><td>Delivery date</td><td>The connections volume driver will apply to works anticipated to deliver within the RIIO-2 period and in year 1 and year 2 of RIIO-3 (31st March 2028), except for:
• projects whose expected costs are beyond the defined tolerance range (see detail below) will be considered under the MSIP re-opener.</td></tr>
<tr><td>Totex baseline allowances</td><td>Generation: £ 72.48 million (LE Entry) and £20.86million (LE Entry - sole use)
Demand: £49.47 million (LE Exit) and £54.16million (LE Exit - sole use)</td></tr>
<tr><td>Baseline outputs profile</td><td>See Table 10 and Table 11.</td></tr>
<tr><td>Unit rates</td><td><table>
<tr><th>Volume metric (Unit)</th><th>Unit rate</th></tr>
<tr><td>Number of connection projects (#)</td><td>£1.7m per project</td></tr>
<tr><td>Generation capacity (MW or MVA)</td><td>£10k per MW or MVA</td></tr>
<tr><td>Demand capacity (MW or MVA)</td><td>£34k per MW or MVA</td></tr>
<tr><td>New Build OHL (km)</td><td>£411k per km</td></tr>
<tr><td>Reconductoring OHL (km)</td><td>£232k per km</td></tr>
</table></td></tr>
</table>

Parameter	Final Determination		Draft Determination
	Underground Cable <1km (km)	£1.82m per km	
	Underground Cable = or >1km (km)	£0.54m per km	
Reporting method	Annual reporting on outturn and updated forecast costs will be facilitated through the RRP.		
Adjustment mechanism	Adjustment to allowance (up or down) is the sum of: the volume metrics multiplied by the relevant unit rates as set out above. Allowances will be profiled through this mechanism to ensure adequate funding is provided to TOs. For this we have assumed an average project lifespan of 4 years for connections with costs spread in the following profile: 25%/25%/25%/25%.		
Additional requirements	An upper and lower tolerance range will be set based on the standard error resulting from our regression analysis multiplied by a factor of 1.5. Projects whose expected costs are beyond this range will be considered under the MSIP re-opener. For SPT this provides a range between plus and minus £4.25m around the allowance calculated by the volume driver.		Indicated for finalisation at FD
Applied to	All ETOs with company-specific values		No change
Licence condition	Special condition 3.11		N/A

4.4 The volume drivers will adjust the funding up or down from the baseline allowance if any of the output metrics deviate from the baseline level as set out below.

Table 10: Baseline Generation Connections

	Relevant Year					
	2021/22	2022/23	2023/24	2024/25	2025/26	TOTAL
No. connections	5	8	3	0	0	**16**
Electrical output (MW or MVA)	1,015	1,120	191	0	0	**2,325**
OHL reconductoring (km)	0	15.9	0	0	0	**15.9**
OHL new build (km)	9.3	19.0	7.9	0	0	**36.2**
Cable new build <1km (km)	0.3	0.8	0	0	0	**1.1**

	Relevant Year					
	2021/22	2022/23	2023/24	2024/25	2025/26	TOTAL
Cable new build =/> 1km (km)	1.0	0	4.3	0	0	**5.3**

Table 11: Baseline Demand Connections

	Relevant Year					
	2021/22	2022/23	2023/24	2024/25	2025/26	TOTAL
No. connections		3		0	0	**3**
Electrical output (MW or MVA)	0	652	0	0	0	**652**
OHL reconductoring (km)	0	36.6	0	0	0	**36.6**
OHL new build (km)	0	6.0	0	0	0	**6.0**
Cable new build <1km (km)	0	1.48	0	0.6	0	**2.08**
Cable new build =/> 1km (km)	0	0	0	0	0	**0**

Large Onshore Transmission Investments (LOTI) re-opener

Purpose: To ensure that TOs are funded to undertake necessary large investments on the transmission network.

Benefits: Allows Ofgem to scrutinise, on behalf of consumers, large transmission investments at the point at which needs case and efficient costs can be scrutinised more effectively.

UM parameter	Final Determination	Draft Determination
UM type	Re-opener	Same as FD
Re-opener window	Any time during the price control	Same as FD
Re-opener materiality threshold	ET projects expected to cost £100m or more that are in whole or in part load-related or related to a shared-use or sole-use generator connection project.	Same as FD
Authority triggered re-opener?	No	Same as FD
Additional requirements	There is a four-stage assessment process that ETOs must follow to secure LOTI funding, unless otherwise directed	Broadly the same as FD, though timings

UM parameter	Final Determination	Draft Determination
	by Ofgem in accordance with the relevant licence provisions. In summary: • Eligibility to apply – a short notification to Ofgem signaling an intent to use the LOTI process. • Initial Needs Case – an early assessment of the need for the project and its initial optioneering. • Final Needs Case – final confirmation that the project is required. • Project Assessment – detailed assessment of project costs to determine allowance - costs to be set out in licence.	of stages have been condensed slightly, further to consideration of DD responses.
Applied to	All ETOs	Same as FD
Licence condition	Special Condition 3.13	N/A

Pre-Construction Funding (PCF) re-opener

Purpose: To provide flexibility in the event that further PCF is required during the price control period.

Benefits: Allows timely development of important strategic projects whilst protecting consumers from providing PCF for speculative projects.

UM parameter	Final Determination	Draft Determination
UM type	Re-opener	Same as FD
Re-opener window	Alongside an Initial Needs Case for a LOTI project	At the end of the price control period
Re-opener materiality threshold	There is no materiality threshold for the value of PCF requested, but the re-opener can only be used to request PCF for LOTI projects.	Same as FD
Authority triggered re-opener?	No	Same as FD
Additional requirements	Generally, we would only expect the PCF re-opener to be used for projects which did not receive baseline PCF PCDs (these are set out in company annexes). However, where PCF costs are expected to be more than double the amount provided for in the baseline PCD allowance, submissions for additional allowances can be submitted. The definition of PCF is "the funding required to develop a LOTI project to the point that consents are obtained and the project is ready to begin construction."	PCF re-opener to be used for projects which did not receive baseline PCF PCDs. The definition of PCF was "the funding required to develop a LOTI project to the point that consents are obtained."
Applied to	All ETOs	Same as FD
Licence condition	Special condition 3.15	N/A

Medium Sized Investment Projects (MSIP) re-opener

Purpose: To ensure that ETOs are able to undertake necessary investments in the transmission network, funding for which has not been provided in RIIO baseline allowances.

Benefits: Allows Ofgem to scrutinise, on behalf of consumers, the need for and cost of projects with more unusual characteristics.

UM parameter	Final Determination	Draft Determination
UM type	Re-opener	Same as FD
Re-opener window	Each year of the price control between January 25th and January 31st.	January 2024 only
Re-opener materiality threshold	One or more project(s) expected to cost less than £100m each, which cumulatively exceed 0.5% of ex ante average annual base revenue when allowances are set.	Various thresholds, specific to each area.
Authority triggered re-opener?	No	Same as FD
Additional requirements	Most areas covered by MSIP are driven by circumstances outside of the control of the ETOs, so submissions in respect of each area will be required to meet certain criteria in order to be eligible for consideration under the MSIP re-opener. These criteria are set out in Table 12.	Same as FD
Applied to	All ETOs, with some exceptions set out in Table 12 below.	Some areas have been added or removed since DDs. See Table 12.
Licence condition	Special condition 3.14	n/a

Table 12: Areas covered by the MSIP re-opener

Area	Criteria for assessment under MSIP	ETO
Atypical connection projects	Minimum and maximum intervals to determine instances of material deviation between the predicted allowance generated by the application of the volume driver unit rates to the total forecast cost of each project. For SPT the upper and lower thresholds are based on 1.5 times the standard error of the full dataset used in the regression analysis: +/- £4m (std error £2.6m x 1.5).	All
NOA 'Proceed' Projects	Any project that secures a NOA 'proceed' signal in most recent NOA.	SPT and SHET
ESO-driven requirements	Written request by the ESO for additional investment in relation to system operability and constraint management requirements.	All

Area	Criteria for assessment under MSIP	ETO
Harmonic Filtering Equipment	Requests from ETO customers to aggregate and deliver harmonic filtering requirements, or following ESO/TO system studies showing a potential breach of planning limits.	All
Protection Equipment	Protection changes required to address system issues following ESO/ETO system studies and includes Operational Load Management Schemes, subject to the receipt of an STC planning request, and dynamic line rating equipment.	All
Energy Data Taskforce recommendations	Recommendations regarding specific outputs required to meet principles developed via industry working groups (including SCADA).	All
Projects to maintain SQSS compliance	ETO demonstration of the need to modify the network to meet SQSS compliance for security and system operability.	All
Black Start	A new Black Start Standard, currently under review by BEIS.	All
Flooding	Updated ETR138 guidance on flooding, and/or a direction from BEIS to protect sites from flooding.	All
SF6 Asset Intervention	Where ETOs can demonstrate efficient costs and asset intervention at sites containing SF6, through a well-justified intervention plan. Consideration should be given to retro-fill and SF6 alternative gasses. We would expect only one submission in this area per ETO during the RIIO-ET2 period.	All

Access Reform re-opener

Purpose: A mechanism to reduce Totex allowances if changes to industry codes arising from our Access and forward-looking charges Significant Code Review (SCR) leads to a reduction in network costs.

Benefits: This re-opener would ensure that consumers receive the benefits of changes to transmission use of system charges and access rights through lower charges in a timely manner.

UM parameter	Final Determination	Draft Determination
UM type	Re-opener	We sought views in the DD Core Document on how the Access review may manifest in its interaction with elements of the price control.
Re-opener window	Any time during the price control	
Re-opener materiality threshold	0.5% of ex ante average annual average base Revenue	
Authority triggered re-opener?	Exclusively Authority-triggered	

UM parameter	Final Determination	Draft Determination
Additional requirements	Adjustments to baseline allowances and unit rates for volume drivers, would be triggered if there is a demonstrable likelihood of reduction in costs as a result of industry code changes to implement the outcome of our access and forward-looking charges SCR.	
Applied to	All ET sector companies	
Licence condition	Special Condition 3.16	N/A

Cross-sectoral UMs

Net Zero re-opener

Purpose: To introduce an increased level of adaptability into the RIIO-2 price control by providing a means to amend the price control in response to changes connected to the meeting of the Net Zero targets, which have an effect on the costs and outputs of network licensees.

Benefits: To allow for necessary amendments within the RIIO-2 period, as opposed to waiting until the settlement of the subsequent price control.

UM parameter	Final Determination	Draft Determination
UM type	Re-opener	Same as FD
Re-opener window	At any time in RIIO-2	Same as FD
Re-opener materiality threshold	0.5% of average annual ex ante Base Revenue	1% of average annual ex ante Base Revenue
Authority triggered re-opener?	Yes	Same as FD
Additional requirements	n/a	Same as FD
Applied to	All ET, GD, and GT companies	Same as FD
Licence condition	Special Condition 5.4	Same as FD

Coordinated Adjustment Mechanism (CAM) re-opener

Purpose: To enable a licensee to submit an application to reallocate responsibility and associated revenue for an activity to or from another licensee's price control (only where the other licensee is in agreement, and there are demonstrable benefits to the consumer).

Benefits: Delivers greater benefits for consumers by allowing more efficient solutions to be taken up elsewhere in the system as they are identified, rather than tied to the initial allocation.

UM parameter	Final Determination	Draft Determination
Re-opener window	Annual re-opener windows.	Annual re-opener windows or two sets of re-opener windows.
Timing of windows	May	January or May
Re-opener materiality threshold	None (submissions will be assessed on the scale of increased benefits for consumers, not the project costs)	Same as FD
Single or joint application	Application to come from single licensee, but must contain a statement of agreement between the licensee who was originally assigned the responsibility and associated revenues for the output or project and the licensee who is able to deliver it with greater overall value to consumers.	Same as FD
Authority triggered re-opener?	No. The network companies can only trigger the CAM on a voluntary basis.	Same as FD
'Foreseeable'	There is no additional requirement that the proposed reallocation was 'foreseeable' at the time of BP submission	Same as FD
Incentive	No financial incentive for networks to utilise this reopener. Networks may agree commercial compensation for potential losses between themselves where necessary.	Same as FD
Reporting / submission requirements	Main requirement is to demonstrate greater benefits for the consumer than the status quo. Further information on the evidence licensees	Same as FD

UM parameter	Final Determination	Draft Determination
	must provide is in the CAM Re-opener Application Guidance.	
Applied to	All network companies, except the ESO, on a within sector and cross sector basis, ie any combination of licensees from any sector may submit an application.	Same as FD
Licence condition	Special Condition 3.8	n/a

IT Non-operational Capex Reopener

Purpose: To provide allowed expenditure to network companies to implement efficient IT enhancements in support of the business systems and networks.

Benefits: Ensures network companies are able to achieve their IT strategy and meet the aspiration of digitalising the energy sector.

UM parameter	Final Determination	Draft Determination
UM type	Re-opener	Same as FD
Re-opener window	• Between 1 April 2021 and 8 April 2021, and • between 25 January 2023 and 31 January 2023.	Same as FD
Re-opener materiality threshold	No materiality threshold	Same as FD
Authority triggered re-opener?	Yes	Same as FD
Additional requirements	The licensee must submit to the Authority a Non-operational capex IT Plan setting out: (a) details of any proposed activities that the licensee considers would be capable of improving its Non-operational capex IT (b) how the adjustment requested would improve its Non-operational capex IT (c) the basis of the calculations for the adjustment requested to allowances	Same as FD

UM parameter	Final Determination	Draft Determination
	(d) provide detailed supporting evidence, as is reasonable in the circumstances, which must include: • improvement plans • a prioritisation programme • market and industry cost comparison • anticipated business benefits derived from any risk reduction as a result of the proposed activities. Further guidance on the application process and content can be found in the IT&T Non-operational capex reopener guidance	
Applied to	All ET, GT, and GD companies	Same as FD
Licence condition	Special Condition 3.7	n/a

Cyber Resilience Operational Technology (OT) and Cyber Resilience Information Technology (IT)

Purpose: To reduce risk, improve cyber resilience and response outcomes on the networks and comply with relevant regulations.

Benefits: Ensure network companies are managing risks posed to the security of the network and information systems, and preventing and minimising the impact of incidents on these essential services to ensure a safe and resilient network.

Cyber Resilience OT

UM parameter	Final Determination	Draft Determination
UM type	Re-opener	Same as FD
Re-opener window	Two re-opener application windows for all network companies available at the beginning of the price control (2021), and midperiod (2023).	Same as FD
Re-opener materiality threshold	No materiality threshold and no aggregation.	Same as FD

UM parameter	Final Determination	Draft Determination
Authority triggered re-opener?	Yes	Same as FD
Additional requirements	All licensees required to submit application at first re-opener window. Allowances will be provided on a UIOLI basis and appropriate PCD outputs will be set.	Same as FD
Applied to	Cross-sector UM - All ET, GD, and GD companies	Same as FD
Licence condition	Special Condition 3.2	n/a

Cyber Resilience IT

UM parameter	Final Determination	Draft Determination
UM type	Re-opener	Same as FD
Re-opener window	Two re-opener application windows for all network companies available at the beginning of the price control (2021), and midperiod (2023).	Same as FD
Re-opener materiality threshold	No materiality threshold and no aggregation.	Same as FD
Authority triggered re-opener?	Yes	Same as FD
Additional requirements	All licensees required to submit application at first re-opener window. Allowance subject to ongoing monitoring as part of outcome based PCDs.	Same as FD
Applied to	Cross-sector UM - All ET, GD, and GD companies	Same as FD
Licence condition	Special Condition 3.3	n/a

Opex Escalator

Purpose: To ensure SPT is funded through an automatic mechanism for varying operational costs associated with capital investments delivered through uncertainty mechanisms (UM's).

Benefits: Provides SPT with opex allowances when capex allowances are funded through the relevant UM and ensures that those opex allowances are consistent with those set for baseline allowances.

<table>
<tr><th>UM parameter</th><th>Final Determination</th><th>Draft Determination</th></tr>
<tr><td>Type</td><td>Volume driver</td><td>Same as DD</td></tr>
<tr><td>Volume Metrics</td><td>• The RAV addition measured in £m arising from the new asset of specific load related UMs at the point of energisation:
○ Connection/demand volume driver
○ MSIP re-opener
○ LOTI re-opener

• The capex addition measured in % of the baseline Capex allowance from specific UMs:
<u>All ETOs</u>
○ Connection/demand volume driver
○ MSIP re-opener
○ LOTI re-opener
○ Visual amenity in designated areas provision
<u>SPT only</u>
○ Uncertain non-load projects re-opener.</td><td>Same as DD</td></tr>
<tr><td>Unit rates</td><td><table><tr><th>Volume Metric (Unit)</th><th>Unit Rate</th></tr><tr><td>RAV addition (£m)</td><td>0.5% per year from the year of energisation</td></tr><tr><td>Capex addition (% of baseline Capex allowance £902.8m)</td><td>0.734% of baseline CAI allowance £165.1m per 1% of capex addition</td></tr></table></td><td>Indicated values to be set in FD</td></tr>
<tr><td>Reporting method</td><td>Annual RRP</td><td>Same as DD</td></tr>
<tr><td>Adjustment mechanism</td><td>Adjustment to opex allowance is the RAV addition and Capex addition multiplied by the relevant unit rates.</td><td>Same as DD</td></tr>
<tr><td>Applied to</td><td>All ETOs with company-specific values</td><td>Same as DD</td></tr>
</table>

UM parameter	Final Determination	Draft Determination
Licence condition	Applied to all relevant capex UM conditions	n/a

SPT-specific UMs

Uncertain Non-Load Projects re-opener

Purpose: To ensure appropriate funding for six non-load related projects with a large degree of uncertainty over their timing and solutions.

Benefits: Avoids the risk of consumers over-paying for outputs and of less efficient solutions being delivered.

Final Determination

UM parameter	Final Determinations	Draft Determinations
UM type	Re-opener that will be limited to the following projects, including any revised proposals designed to deliver equivalent outcomes: • Westfield 275kV switchgear replacement (includes future 400kV upgrade) • Longannet 275kV series reactors refurbishment • Longannet 275kV switchgear replacement (includes future 400kV upgrade) • XH & XJ Routes 400kV Major Refurbishment • Currie-Gorgie 132kV Cable Replacement • Cable Sealing End Proactive Programme	Same as FD
Re-opener window	Five reopener windows within period, between: • 25th April 2021 and 30st April 2021, • 25th January 2022 and 31st January 2022 • 25th January 2023 and 31st January 2023	Same as FD

UM parameter	Final Determinations	Draft Determinations
	• 25th January 2024 and 31st January 2024, and • 25th January 2025 and 31st January 2025	
Re-opener materiality threshold	No materiality threshold. SPT to submit needs case for approval on a case-by-case basis.	Same as FD
Authority triggered re-opener?	No	Same as FD
Applied to	SPT only	Same as FD
Licence condition	Special Condition 3.29	n/a

Final Determination rationale and Draft Determination responses

4.5 Only SPT responded on this proposal. It considered that allowing only a single re-opener window is too restrictive and places undue risk on SPT. Instead it suggested that there should be an annual window, noting that the regulatory burden would be low because the re-opener would be limited to a review of costs and the solution only if they have changed since the Business Plan submission.

4.6 We considered SPT's response and agree that an annual re-opener window would not be overly burdensome on either Ofgem or SPT. As a result, we have decided to accept this change.

5. Innovation

Introduction

5.1 This Chapter sets out our Final Determination on SPT's Network Innovation Allowance (NIA) for the RIIO-ET2 price control period. Chapter 8 of the Core Document also details our Final Determination on the RIIO-2 NIA framework and the Strategic Innovation Fund.

5.2 SPT also requested additional funds to rollout previously proven innovation. We have assessed this as a bespoke proposal within Appendix 2.

Network Innovation Allowance

Purpose: To fund innovation relating to the energy system transition and/or support for consumers in vulnerable situations.

Benefits: The NIA will enable companies to take forward innovation projects that have the potential to address consumer vulnerability and/or deliver longer–term financial and environmental benefits for consumers, which they would not otherwise undertake within the price control.

Final Determination

Network Innovation Allowance	SPT proposed NIA (£m)	Draft Determination (£m)	Final Determination (£m)
Level of NIA funding	13.5	10, conditional on an improved industry-led reporting framework.	13.5

Final Determination rationale and Draft Determination responses

5.3 We have decided that all network companies and the ESO will be able to access NIA funding during RIIO-2, as they have satisfactorily evidenced that an improved industry-led reporting framework will be in place for the start of RIIO-2 (see Chapter 8 of the Core Document).

5.4 We have decided to award SPT £13.5m NIA funding, which is an increase from what we proposed in our Draft Determination recognising that SPT has

demonstrated a commitment to do innovation within business as usual (BAU) activities.

5.5 There were three respondents which discussed SPT's NIA. SPT User Group (UG) and a consumer representative group agreed with our assessment and proposal to award SPT £10m NIA funding. However, SPT argued an increased level of NIA funding relative to RIIO-1 was justified by Net Zero requirements and disagreed with our assessment of their commitments to undertake innovation within BAU activities. SPT responded explaining its plans for its NIA allowance and separating it from commitments to take forward various innovation projects within BAU activities.

5.6 Although we believe SPT could have more clearly highlighted plans to do innovation throughout its Business Plan, rather than confine these commitments to its innovation strategy, after consideration of the new evidence provided by SPT, we agree there is evidence that SPT plans to do innovation within BAU activities. Accordingly, we now consider that SPT has provided satisfactorily evidence of this criterion that we used to assess NIA requests and have awarded SPT their requested £13.5m NIA funding.

5.7 SPT also noted the interlinkage to its bespoke proposal for additional funding to innovation roll-out. Although SPT suggested such proposals build on past NIA projects and additional funding is necessary to deliver benefits from innovation, as explained in Appendix 2, we do not believe SPT has evidenced that the proposed rollout goes beyond our BAU expectations for RIIO-2 as we expect proven NIA innovation projects should be rolled out within BAU activities.

6. Totex Incentive Mechanism and Business Plan Incentive

Introduction

6.1 This Chapter sets out our Final Determination for SPT on the Totex Incentive Mechanisms, and the Business Plan Incentive (BPI). Further details of our decisions on confidence assessments and cost justifications can be found in Chapter 3 of this document, and further details of the BPI at a cross-sectoral level and the rationale underpinning our decisions can be found in Chapter 10 of the Core Document.

Table 13: Summary of decisions on the BPI for SPT

BPI stage	Final Determination
Stage 1 - Minimum requirements	Pass
Stage 2 – CVP reward	£2.06m
Stage 3 – Penalty	£0
Stage 4 – Reward	£2.94m
Total	**£5.00m Reward**

Totex Incentive Mechanism

6.2 The Totex Incentive Mechanism (TIM) is designed to encourage network companies to improve efficiency in delivery and ensures that the benefits of these efficiencies are shared with consumers. It also provides some protection to companies from overspends as the costs of overspends are also shared with consumers.

Final Determination

Table 14: RIIO-2 TIM incentive rate for SPT

Licensee	Draft Determination	Final Determination
ET - SPT	39.1%	49%

6.3 The main driver for the change in our Final Determination from our Draft Determination is the approval of projects which were rejected in our Draft Determination, and for which SPT provided Engineering Justification Papers following our Draft Determination. Other updates on our cost confidence relating to SPT's plan and our allowances are explained in Chapter 3 of this document.

6.4 See Chapter 10 in the Core Document for an overview of the TIM across all sectors.

Stage 1 – Minimum requirements

Final Determination

6.5 We have decided that SPT has met all of the Business Plan minimum requirements, and has, therefore, passed Stage 1 of the BPI.

Final Determination rationale and Draft Determination responses

6.6 In our Draft Determinations, we set out our provisional view that SPT had met all the Business Plan minimum requirements and had passed Stage 1 of the BPI.

6.7 None of the responses to our Draft Determinations disagreed with this proposal, and we do not see a reason to change our position.

Stage 2 – Consumer Value Propositions

6.8 We have decided to allow one CVP proposed by SPT to maximise the benefit of non-operational land, with a total consumer value of £4.2m. This translates into a £2.06m reward for SPT. Further details of this CVP are provided below.

6.9 For details of our decisions on CVPs that we have not allowed, see Appendix 2.

Maximising benefit of non-operational land

Purpose: To encourage SPT to provide land at non-operational sites for community groups to install community generation projects and provide biodiversity enhancements.

Benefits: Reduced carbon emissions and biodiversity improvements for existing and future consumers.

Final Determination

CVP parameter	Final Determination	Draft Determination
Overall decision	Accept	Same as FD
Output	Sign Access Agreements with community groups to install community generation projects and/or biodiversity enhancements at 20 sites.	Provide 20 sites for community generation projects
Performance measurement	Number of Access Agreements[15] granted to community groups	Installation of 4MW renewable generation from community groups
Delivery date	31 March 2026	Same as FD
CVP value	£4.2m	Same as FD
CVP reward	£2.06m	Same as FD
Reporting method	Ex post assessment of delivery	Same as FD
Adjustment mechanism	(Number of Access Agreements granted / 20) * CVP reward	Not discussed at DD
Licence obligation	Special Condition 4.8	n/a

Final Determination rationale and Draft Determination responses

6.10 We have decided to accept this CVP and have set a reward of £2.06m, recognising strong stakeholder support for our Draft Determination position.

6.11 We received five consultation responses regarding this CVP, from SPT, two Enhanced Engagement groups, an industry group and a consumer group. All respondents supported our Draft Determination position.

6.12 For the performance metric, we have decided to use the number of Access Agreements granted in RIIO-ET2 for community groups to use SPT's land, following consideration of SPT's consultation response. SPT stated that some of the sites will be used for biodiversity enhancement instead of community renewable generation projects, and SPT has no direct control over the actual size of the community renewables projects. We acknowledge there is also consumer

[15] Access agreements are formal agreements between SPT and community groups for community renewable or community biodiversity projects. This will be in the form of a lease or other agreement depending on the site and what wayleaves permit SPT to do.

benefit in biodiversity projects, and so we accept SPT's proposal to use the number of Access Agreements as the performance metric.

6.13 Despite this change in metric, we do not consider a change to the value of the CVP is appropriate. We acknowledge the difficulty in setting an appropriate reward for biodiversity enhancement and welcome the engagement we have had with all the TOs in trying to establish a methodology. After consideration of the information provided by all the ETOs, we consider the size of the reward at Final Determinations appropriately reflects SPT's ambition and the consumer value of this proposal.

6.14 As well as providing non-operational land, we expect SPT to engage with community groups and provide support developing community renewable and biodiversity projects. We also encourage SPT to maximise the amount of renewable generation community groups are able to add to the network in order to provide as much value as possible to consumers, reflecting a consumer group's Draft Determination response.

6.15 We expect Access Agreements granted to community groups for biodiversity enhancement to guarantee that biodiversity will be enhanced by a minimum of 10%, in keeping with the parameters of the environmental ODI-F.

6.16 If SPT does not fully deliver the output of granting Access Agreements at 20 sites, we will claw back the proportion of the CVP reward that was not delivered as part of RIIO-2 close out. Clawback will be based on the number of Access Agreements that have been granted using the following methodology:

(1-(Number of Access Agreements granted) / 20) * CVP reward

Stage 3 – Penalty on poorly justified lower confidence costs

6.17 We have decided that SPT will not incur any BPI stage 3 penalty following our BPI Stage 3 assessment. Table 15 sets out our decision across all cost categories.

Table 15: Summary of decisions for Stage 3 disallowance penalty

Cost category	Poorly justified lower confidence cost disallowance (£m)	BPI stage 3 penalty (£m)
Load Related Capex	0	0
Non Load Related capex	0	0
Indirect opex	0	0
Non Operational capex	0	0
Network Operating Costs	0	0

Final Determination rationale and Draft Determination responses

6.18 In our Draft Determinations, we consulted on our provisional assessment that SPT would receive a penalty of £16.6m under BPI Stage 3.

6.19 Following Draft Determinations, we have changed our assessment of cost confidence in some areas, and we have decided to allow certain costs that we had proposed to disallow. Further details of these changes and our rationale for making them are set out in Chapter 3 of this document.

6.20 As none of SPT's lower confidence costs were disallowed, there is no Stage 3 penalty for SPT as a result of these changes.

Stage 4 – High cost confidence reward

6.21 We have decided that SPT will earn a £2.94m reward following our BPI stage 4 assessment. Table 16 sets out our decisions on high confidence cost categories and the associated Stage 4 rewards.

Table 16: Summary of decisions for high confidence cost categories

Cost category	SPT's forecast high confidence costs (£m)	Ofgem's Independent Benchmark (£m)	BPI Stage 4 Reward (£m)
Load Related Capex	399.9	402.5	1.26
Non Load Related Capex	422.7	426.1	1.68
Indirects	273.2	260	0
Non Operational Capex	11.4	10	0
Network Operating Costs	110	110	0

Final Determination rationale and Draft Determination responses

6.22 In our Draft Determinations, we had set out our provisional assessment that SPT would receive no rewards under BPI Stage 4.

6.23 Following Draft Determinations and consideration of responses, we have changed our assessment of cost confidence in some areas and have decided to allow certain costs that we had provisionally decided to disallow. Further details of these changes and our rationale for making them are set out in Chapter 3 of this document.

6.24 At Final Determinations we have also decided to apply our Stage 4 assessment at a more disaggregated level than we had proposed to do in our Draft Determinations. Further detail and our rationale for doing so are set out in Chapter 10 of the Core Document.

6.25 Following these changes, we have decided that SPT's Stage 4 reward would be £2.94m.

Appendices

Index

Appendix 1 : Additional information

Table A1.1: Calibration of incentive rates for the Environmental Scorecard ODI-F

Impact area	Values used to calibrate of incentive rate
Reduction in emissions from operational transport and business mileage	1. Non-traded value of carbon, HMT Green Book Supplementary Guidance[16] 2. Nitrogen Oxide (NOx) air quality damage cost, DEFRA Air Quality Damage Guidance Cost Appraisal[17] 3. Particulate Matter air quality damage cost, DEFRA Air Quality Damage Guidance Cost Appraisal
Operational and office waste that is recycled	1. Non-traded value of carbon, HMT Green Book Supplementary Guidance 2. Government Landfill tax, HMRC[18]
Reduction in waste created at NGGT offices	As above
Reduction in water use for main offices	Non-traded value of carbon, HMT Green Book Supplementary Guidance.
Increase in environmental value of non-operational land	Estimates of natural capital value, if applicable.
Net gain on all construction projects	Based on replacement cost plus 10% margin.

Table A1.2: Business support costs – detailed breakdown of allowance

BSC Cost Category	SPT Proposed Baseline (£m)	Work Volume Reduction (£m)	Cost Reduction (£m)	Work Volume Reductions subject to UMs (£m)	Ofgem Proposed Baseline (£m)
Information Technology & Telecoms (IT&T)	24.8	0.0	0.1	0.0	24.7
Property management	17.1	0.0	2.2	0.0	14.9

[16] Valuation of energy use and GHG emissions appraisal: https://www.gov.uk/government/publications/valuation-of-energy-use-and-greenhouse-gas-emissions-for-appraisal
[17] Air quality appraisal: damage cost guidance: https://www.gov.uk/government/publications/assess-the-impact-of-air-quality/air-quality-appraisal-damage-cost-guidance
[18] Environmental taxes, reliefs and schemes for businesses: https://www.gov.uk/green-taxes-and-reliefs/landfill-tax

BSC Cost Category	SPT Proposed Baseline (£m)	Work Volume Reduction (£m)	Cost Reduction (£m)	Work Volume Reductions subject to UMs (£m)	Ofgem Proposed Baseline (£m)
Audit, finance, and regulation	30.4	0.0	3.8	0.0	26.6
HR and non-operational training	7.9	0.0	1.0	0.0	6.9
Insurance	8.0	0.0	0.0	0.0	8.0
Procurement	5.3	0.0	0.7	0.0	4.6
CEO and group management	10.3	0.0	1.3	0.0	9.0
Total	**103.9**	**0.0**	**9.0**	**0.0**	**94.9**

Table A1.3: Closely associated indirects – detailed breakdown of allowance

CAI Cost Category	SPT Proposed Baseline (£m)	Work Volume Reduction (£m)	Cost Reduction (£m)	Work Volume Reductions subject to UMs (£m)	Ofgem Proposed Baseline (£m)
Operational IT & Telecoms	0.0	0.0	0.0	0.0	0.0
Project management	34.4	0.2	0.7	0.0	33.5
Network design and engineering	50.8	0.3	1.1	0.0	49.4
System mapping	1.4	0.0	0.0	0.0	1.4
Engineering management and clerical support	44.6	0.2	1.0	0.0	43.4
Network policy (including R&D)	8.2	0.0	0.2	0.0	8.0
Health, safety, and environment (HSE)	0.0	0.0	0.0	0.0	0.0
Operational training	11.3	0.0	0.0	0.0	11.3
Store and logistics	1.9	0.0	0.0	0.0	1.8

CAI Cost Category	SPT Proposed Baseline (£m)	Work Volume Reduction (£m)	Cost Reduction (£m)	Work Volume Reductions subject to UMs (£m)	Ofgem Proposed Baseline (£m)
Vehicles and transport	7.1	0.0	0.2	0.0	6.9
Market facilitation	0.0	0.0	0.0	0.0	0.0
Network planning	9.6	0.0	0.2	0.0	9.3
Total	**169.3**	**0.8**	**3.4**	**0.0**	**165.1**

Table A1.3: Non-operational capex – detailed breakdown of allowance

Non-Op Capex category	SPT proposed baseline (£m)	Work Volume Reductions (£m)	Cost Reductions (£m)	Work Volume Reductions subject to UMs (£m)	Ofgem Baseline Allowances (£m)
Property	2.6	0.0	0.0	0.0	2.6
IT&T	12.0		1.4	3.5	7.1
STEPM	0.3	0.0	0.0	0.0	0.3
Vehicles & Transport	0.0	0.0	0.0	0.0	0.0
Total	**14.9**	**0.0**	**1.4**	**3.5**	**10.0**

Table A1.4: Network operating costs – detailed breakdown of allowance

Network Operating Costs category	SPT proposed baseline (£m)	Work Volume Reductions (£m)	Cost Reductions (£m)	Work Volume Reductions subject to UMs (£m)	Ofgem Baseline Allowances (£m)
Faults	19.8	0.0	0.0	0.0	19.8
Inspections	7.4	0.0	0.0	0.0	7.4
Repairs and Maintenance	48.6	0.0	0.0	0.0	48.6
Vegetation Management	2.0	0.0	0.0	0.0	2.0
Operational Protection Measures and IT Capex	11.7	0.0	0.0	0.0	11.7
Legal and Safety	20.5	0.0	0.0	0.0	20.5
Total	**110.1**	**0.0**	**0.0**	**0.0**	**110.1**

Table A1.5: List of LRE projects crossing from RIIO-ET1 to T2

Scheme reference	SPT T2 request (inc indirect opex), £m	Ofgem T2 allowance (exc indirects), £m
SPT2003	1.02	0.93
SPT2004	3.95	3.29
SPT2006	4.71	4.38
SPT2007	0.20	0.19
SPT2009	1.22	1.12
SPT20010	1.85	1.69
SPT20012	0.62	0.53
SPT20014	3.30	2.79
SPT20016	0.33	0.30
SPT20018	3.43	2.70
SPT20022	14.94	13.29
SPT20024	0.16	0.15
SPT20026	5.73	5.01
SPT20028	2.00	1.86
SPT20030	7.13	6.35
SPT20034	0.35	0.32
SPT20036	6.92	6.05
SPT20044	6.44	4.64
SPT20051	2.17	1.96
SPT20052	3.87	3.26
SPT20054	3.19	2.75
SPT20055	3.10	2.60
SPT20057	5.31	4.69
SPT20061	8.08	6.86
SPT20062	0.13	0.12
SPT20066	1.818	1.68
SPT20067	0.03	0.03
SPT20078	3.14	2.90
SPT20079	0.05	0.05
SPT20086	2.94	2.37
SPT20087	11.50	10.21
SPT20089	2.76	2.56
SPT20090	0.26	0.25
SPT20092	2.69	2.49
SPT20093	0.05	0.04
SPT20097	1.87	1.72

Scheme reference	SPT T2 request (inc indirect opex), £m	Ofgem T2 allowance (exc indirects), £m
SPT20098	9.50	7.84
SPT200100	2.62	2.43
SPT200104	3.15	2.91
SPT200105	0.06	0.05
SPT200109	11.34	10.51
SPT200113	21.63	17.55
SPT200119	3.77	3.31
SPT200121	90.38	82.95
SPT200123	8.79	8.03
SPT200125	7.67	7.10
SPT200127	22.76	20.88
SPT200131	4.41	4.07
SPT200133	7.53	6.95
SPT200135	10.51	9.62
SPT200136	20.82	11.99
SPT200144	25.71	23.19
SPT200171	2.46	2.05
SPT200173	2.64	2.34
SPT200174	3.47	3.12
SPT200178	0.51	0.45
SPT200179	0.43	0.39
SPT200181	6.75	5.92
SPT200185	3.81	3.29
SPT200191	0.02	0.01
SPT200193	7.89	7.08
SPT200196	7.38	6.37

Table A1.6: List of LR baseline projects crossing from RIIO-ET2 to T3 period

Scheme reference	SPT T2 request (inc indirect opex), £m	Ofgem T2 allowance (exc indirects), £m
SPT20074	5.34	4.776
SPT20075	0.10	0.089

Table A1.7: List of LR baseline schemes subject to generation/demand volume driver

Scheme reference	SPT T2 request (inc indirect opex), £m	Ofgem T2 allowance (exc indirects), £m
SPT2004	4.14	3.29
SPT2007	0.21	0.19
SPT20010	1.92	1.69
SPT20013	0.00	0.00
SPT20014	3.45	2.79
SPT20017	0.00	0.00
SPT20018	3.58	2.70
SPT20021	0.00	0.00
SPT20022	15.67	13.29
SPT20025	0.00	0.00
SPT20026	6.00	5.01
SPT20027	0.00	0.00
SPT20028	2.09	1.86
SPT20029	0.00	0.00
SPT20030	7.44	6.35
SPT20033	0.00	0.00
SPT20034	0.36	0.32
SPT20035	0.00	0.00
SPT20036	7.22	6.05
SPT20043	0.00	0.00
SPT20044	6.77	4.64
SPT20052	3.99	3.26
SPT20055	3.17	2.60
SPT20087	12.12	10.21
SPT20090	0.27	0.25
SPT20093	0.05	0.04
SPT20098	9.93	7.84
SPT200143	0.00	0.00
SPT200144	27.25	23.19
SPT200174	3.63	3.12
SPT200179	0.45	0.39
SPT200184	0.00	0.00
SPT200185	4.00	3.29
SPT200192	0.00	0.00
SPT200193	8.24	6.73

Table A1.8: List of NLR schemes crossing from RII-ET2 to T3 period

Scheme reference	SPT T2 request (inc indirect opex), £m	Ofgem T2 allowance (exc indirects), £m
SPNLT203	3.90	3.45
SPNLT2024	2.62	2.31
SPNLT2025	1.84	1.64
SPNLT2026	0.21	0.19
SPNLT2027	0.42	0.40
SPNLT2028	3.79	3.38
SPNLT2029	1.88	1.66
SPNLT2030	1.42	1.26
SPNLT2031	0.18	0.17
SPNLT2032	0.94	0.91
SPNLT2035	0.31	0.27
SPNLT2039	0.22	0.20
SPNLT2042	0.09	0.08
SPNLT2044	0.03	0.03
SPNLT2045	0.00	0.00
SPNLT2066	4.67	4.20
SPNLT2075	0.00	0.00
SPNLT2076	0.00	0.00
SPNLT2077	0.10	0.08
SPNLT2079	0.08	0.08
SPNLT2080	0.08	0.08
SPNLT20138	3.90	3.36
SPNLT20139	4.67	4.11

Table A1.9: List of NLR schemes crossing from RIIO-ET1 to T2 period

Scheme reference	SPT T2 request (inc indirect opex), £m	Ofgem T2 allowance (exc indirects), £m
SPNLT200	8.37	7.60
SPNLT202	14.85	13.64
SPNLT204	6.29	5.81
SPNLT205	38.19	35.12
SPNLT207	8.49	7.92
SPNLT208	4.25	3.97
SPNLT2014	1.53	1.40
SPNLT2015	0.74	0.68

Scheme reference	SPT T2 request (inc indirect opex), £m	Ofgem T2 allowance (exc indirects), £m
SPNLT2017	5.12	4.77
SPNLT2018	5.11	4.75
SPNLT2021	5.02	4.67
SPNLT2022	2.29	2.14
SPNLT2023	4.60	4.31
SPNLT2033	43.51	40.09
SPNLT2036	21.68	19.97
SPNLT2037	15.32	13.97
SPNLT2040	2.82	2.62
SPNLT2043	3.94	3.68
SPNLT2047	7.71	6.73
SPNLT2048	11.20	10.31
SPNLT2051	3.47	3.18
SPNLT2067	7.28	6.65
SPNLT2070	0.37	0.33
SPNLT2073	0.56	0.50
SPNLT2074	0.58	0.51
SPNLT2085	0.24	0.23
SPNLT2086	0.39	0.37
SPNLT2088	0.37	0.35
SPNLT2090	1.02	0.96
SPNLT2091	3.32	3.11
SPNLT20102	9.36	8.63
SPNLT20103	3.47	3.23
SPNLT20104	2.73	2.56
SPNLT20105	0.12	0.11
SPNLT20106	0.52	0.48
SPNLT20107	3.31	3.06
SPNLT20108	0.39	0.37
SPNLT20109	40.79	37.22
SPNLT20110	2.96	2.75
SPNLT20119	6.13	5.68
SPNLT20124	8.24	7.68
SPNLT20134	6.49	6.07
SPNLT20137	0.99	0.93
SPNLT20142	2.29	2.10

Appendix 2 Decision rationale for SPT's bespoke outputs and CVPs

Table A2.1: SPT's bespoke ODI proposals

ODI name and description	Ofgem's Draft Determination summary	Consultation response summary	Ofgem's Final Determination
Maximising environmental benefit from non-operational land (ODI-R): SPT proposed an ODI-R to provide non-operational land, at no charge, to community groups to install 4MW of renewable generation.	**Accept:** The ODI-R will deliver additional environmental benefits for current and future consumers at minimal cost.	There were five consultation responses. Only one stakeholder disagreed with the proposal to accept. They said it was unclear how it would be in the interests of consumers.	**Accept:** The ODI-R is in the interest of consumers because it will result in a modest reduction in carbon emissions and it will facilitate competition by allowing involvement of smaller developers in the supply of renewable energy.
Stakeholder Engagement Plus: SPT proposed this ODI-F, covering the areas below: **1) Community Energy Schemes Capability (ODI-F):** SPT proposed an initiative to engage with community groups to bring renewable generation onto the network. **2) Stakeholder Engagement Performance Levels (ODI-F):** SPT proposed to meet the	**1) Reject:** We said that engagement with local energy groups should be BAU in RIIO-ET2 and the proposal did not appear to go beyond that. **2) Reject:** We said that we expect high-quality stakeholder engagement to be BAU in RIIO-ET2 and that the proposal did not appear to be going beyond BAU to warrant a financial incentive.	SPT responded that the three initiatives covered by the proposal are relatively immature areas that are important to the low carbon transition. As such they have not factored the activities into baseline funding for stakeholder engagement as level of activity and costs depend on the uptake by stakeholders/communities. SPT consider that an ODI-F would be a more appropriate mechanism to encourage investment where it is appropriate, protecting consumers	**Reject:** We have decided to reject this ODI. However, we note that there is some overlap between the first and third areas of this proposal and the Net Zero Fund (NZF) proposal. In our Final Determination, we have decided to accept the latter and approved some baseline funding in RIIO-T2 for it. We consider SPT has an opportunity within the NZF to develop the areas 1)

ODI name and description	Ofgem's Draft Determination summary	Consultation response summary	Ofgem's Final Determination
"Accountability health check", which will be conducted annually by the owners of the AA1000 standard. SPT aim to achieve a "Mature" status score of above 76 out of 100. **3) Black Start Resilience of Communities in Vulnerable Circumstances (ODI-F):** SPT proposed to conduct a programme of engagement with communities in vulnerable circumstances with the aim of contributing to an increase in their resilience during events which result in extended periods without supply.	**3) Reject:** We considered that there was insufficient justification and evidence of consumer value for this proposal.	from cost uncertainty and only rewarding outcomes where they have been delivered.	and 3) because they relate vulnerable communities and the low carbon transition, and also appear to fit with the amended scope of the NZF that we set out in our Final Determination decision. Please see Chapter 2 of this document for more information on our Final Determination decision on the NZF.
Whole System ESO-TO Constraint Mitigation (ODI-F): SPT proposed an ODI to encourage TOs to actively identify and propose infrastructure services under the provisions in SO-TO Code Procedure (STCP) 11.4 to mitigate the risk of constraint costs associated with network outages.	**Reject:** We thought that we had insufficient information to understand why an incentive is required to encourage the use of STCP 11.4 at this time.	We received two responses, both in disagreement with our proposal to reject. It was noted that the STCP 11-4 process is insufficient as a standalone mechanism to drive proactive behaviour by the TOs or ESO to identify potential solutions and assess these in delivering consumer benefits by reducing the risk of future constraint	**Reject:** We approved an ODI-F with similar elements that will apply to all TOs. For further information please refer to "RIIO-T2 System Outage Management Proposals to Reduce Constraint Costs (ODI-F)" in this table.
Optimising Network Availability for Connected Generators (ODI-F): SPT proposed an ODI-F that applies a reward for any avoided loss of low carbon generation in a constrained network that is directly attributable to SPT's interventions.	**Reject:** We considered that the direct benefit would fall to the generator rather than the consumer. We also noted that there are provisions for a generator to pay for the services that SPT are	We received two responses in relation to this proposal. One stakeholder disagreed with our position, setting out their view that without incentives the TOs are reluctant to act and innovate. In their view, this incentive will deliver	**Reject:** We have decided to reject this ODI. We think that both the QCS and the SOTO Optimisation ODI will incentivise the TOs to manage their outages efficiently and ensure the

ODI name and description	Ofgem's Draft Determination summary	Consultation response summary	Ofgem's Final Determination
	proposing require an incentive.[19] We consider that TOs will be sufficiently incentivised to improve their performance in minimising the impact of planned outages on their customers through the Quality of Connections survey. We considered that acceptance of this output could result in SPT receiving double rewards for providing these improved services.	benefits of more carbon free generation, reduced generation and constraint costs, that will eventually flow to the consumer. SPT disagreed with our proposal on three accounts: • They note that this ODI will benefit multiple generators, the ESO and the consumers through lower constraint payments which will then be socialised through Balancing Services Use of System (BSUOS) and through the reduction of carbon in the environment. • This ODI will incentivise SPT to identify innovative ways to increase network availability and keep low carbon energy flowing. • SPT note that the Quality of Connections survey is not targeted enough to incentivise the behaviours that this incentive will deliver.	network availability of low carbon generators. We are still of the view that the direct benefit falls to the generator and we cannot be confident that the consumer will receive benefits from this ODI.
Additional Contribution to the Low Carbon Transition (ODI-F): SPT proposed an ODI-F for making an additional contribution to the Low Carbon Transition by reducing	**Reject:** We considered that the proposed ODI-F was not well-specified and that we expected it was not to be good value for money for consumers.	A consumer representative group agreed that this does not represent good value for money. A second respondent was concerned that this rejection may impact specifically on	**Reject:** We have decided to reject this ODI. We have decided to make NGET's bespoke environmental scorecard ODI-F a common

[19] We note that generators have the ability to pay for these services under STCP18.1.

ODI name and description	Ofgem's Draft Determination summary	Consultation response summary	Ofgem's Final Determination
carbon emissions, delivering biodiversity net gain and improvements in the sustainability of SPT's supply chain.		engagement with community groups. SPT disagreed with the rejection and is confident that none of the reasons Ofgem has provided present significant obstacles to resolve.	incentive. Please see Chapter 2 of the ET Sector Annex for further information.
Delivery against our Stakeholder Strategy (ODI-R): SPT proposed to report annually on its stakeholder engagement activities.	**Reject:** We considered it unnecessary to include the proposal as an ODI-R. We expect SPT to detail its delivery against its stakeholder strategy as part of its annual reporting.	There were no direct Draft Determination responses.	**Reject:** We have decided to reject this ODI for the same reasons as set out in Draft Determinations.
Health and Safety (ODI-R): SPT proposed to be more transparent and accountable to consumers and stakeholders on its Health and Safety performance by reporting annually.	**Reject:** We expect engagement with staff and the public on Health and Safety Related matters to be BAU in RIIO-ET2 and beyond. This proposal does not seem to go beyond that.	There were no direct Draft Determination responses.	**Reject:** We have decided to reject this ODI for the same reasons as set out in Draft Determinations.
Non Lead Asset Output Measurement (ODI-R): SPT proposed to report annually on its performance against non-lead asset replacement and refurbishment work based on metrics calculated using a monetised risk model (similar to the NARM models for lead assets) that it has recently developed.	**Reject:** Whilst we welcome SPT's development of monetised risk models for its non-lead assets, as we have not yet had an opportunity to scrutinise its model we do not feel there is a benefit to putting in place formal reporting arrangements at this time. However, we are keen to explore with SPT and other ETOs the possibility of extending the scope of NARM framework to non-lead assets.	SPT stated that this mechanism was proposed to ensure greater accountability and transparency in this activity. SPT believe that Ofgem suggested they support the principle, so is unclear why Ofgem would reject this.	**Reject:** We have decided to reject this ODI-R. However, we note that this does not preclude SPT from reporting on it and engaging with interested parties on any potential changes to industry's approach to monetising risk of non-lead assets.

ODI name and description	Ofgem's Draft Determination summary	Consultation response summary	Ofgem's Final Determination
RIIO-T2 System Outage Management Proposals to Reduce Constraint Costs: This was a joint ODI-F proposal from the TOs and the ESO for a four-staged approach to implementing a TO 'on demand service' which will provide flexibility to the ESO.	**Reject**: We considered that there was insufficient evidence that an incentive is required to encourage the use of STCP 11.4. We encouraged the TOs to resolve the barriers that exist in the procedures that they have identified.	We received 12 responses to this proposal. The majority of responses disagreed with our proposal and flagged the need for an incentive in this space. Please refer to Chapter 2 in the ET Annex to review the summary of responses.	**Accept:** We decided to accept a common ODI-F to encourage the TOs to deliver solutions under existing STCP11-4 for a trial period of two years. Please refer to Chapter 2 in SPT's Annex document for additional details on the incentive. Please refer to Chapter 2 in the ET Annex to review the rationale for our decision.

Table A2.2: SPT's bespoke PCD proposals

PCD name and description	Ofgem's Draft Determination summary	Consultation response summary	Ofgem's Final Determination
Non Load Torness Reactor Replacements	**Reject**: At Draft Determinations we proposed to reject this funding because the needs case for intervention had not been made.	In response to our Draft Determinations, SPT submitted additional engineering evidence including an independent expert report in support of their proposals.	**Accept with PCD:** We reviewed this submission and agree that the needs case is much stronger, although we had questions over a gap in the Reactors Health History file. We have approved these works for Baseline funding subject to a PCD to protect against under-delivery in RIIO T2.
Non Load SF6 CB replacements to manage SF6 leakages across various assets and voltage levels.	**Reject**: We considered that SPT had not sufficiently evidenced that repair is not an economic intervention, and so we rejected the replacement of six CB's from Baseline Funding.	In response to our Draft Determinations, SPT accepted our reasoning and proposed a PCD for the 6 CB replacements, thereby protecting against the	**Accept with PCD:** We decided to accept SPT's proposal and have approved into Baseline funding the 6 CB replacements subject to a PCD. For further information

		replacements not being carried out due to a successful repair.	please see Chapter 2 of this document.
Preconstruction Costs PCD - £18.7m	**Accept with significant cost reduction**: At Draft Determinations, we considered that the needs case for the pre-Engineering works at the level requested had not been made. As a result, we proposed to reject £15.81m of the request.	SPT provided additional evidence and challenged our position regarding Preconstruction Costs.	**Accept with a smaller cost reduction:** We have reviewed the additional evidence and listened to SPT's challenges. We approved into Baseline £7.41m of pre-construction costs, but due to uncertainty around the works on the EHVDC, we have approved £5.72m subject to a PCD to cover for these pre-construction activities. For further information please see Chapters 2 and 3 of this document.
Wider Works - NOA (Excluding DWNO): SPT proposed a PCD for boundary capability upgrades with a recommended proceed in the ESO's NOA for the following schemes: • ECU2 East Coast 275kV Upgrade (£11.86m) • HNNO Hunterston East - Neilston Reinforcement (£22.58m) • WLT1 Windyhill to Longannet 275 Circuit (£3.95m) • ECVC Ecceles Shunt Compensation and Real Time Thermal Rating (£94.66) • DWNO Denny to Wishaw 400kV Reinforcement (£19.16) • ECUP East Coast Onshore 400kV (£35.13)	**Accept**: We proposed to accept these proposed PCDs because we were satisfied that the needs case was justified.	There were no direct Draft Determination responses.	**Accept:** We have decided to accept this PCD for the same reasons as set out in Draft Determinations.

Resilience and Operability - Generation Export Management System (GEMS): SPT proposed a reinforcement to allow embedded generation in Dumfries and Galloway to export onto the transmission network. GEMS is intended to provide SPT with greater dynamic control of generation power flows on the transmission and distribution network in accordance with the commercial arrangements in place. The total cost of the system is estimated at £10m.	**Accept with amendment:** We noted that the system had the potential to be more economical than building new infrastructure to facilitate the growing amounts of generation and offer wider benefits to the consumer. We proposed a PCD for the value of SPT works to implement the proposed scheme. The proposed baseline allowance was set using our cost assessment at £6.79m and delivery of the scheme is required by 31 December 2022.	There were no direct Draft Determination responses.	**Accept:** We have decided to accept this PCD for the same reasons as set out in Draft Determinations.
Resilience and Operability - Harmonic Filters: SPT proposed to install 120MVAr of harmonic filters on the 132kV network. To prevent voltage harmonics in excess of planning and compatibility limits on the 132kV network, SPT's baseline plan includes costs for the installation of harmonic filters at six different locations on its transmission system. The total estimated cost across all sites is £24m.	**Accept with amendment:** We proposed a PCD for the value of SPT works at each of the sites identified in SPT's baseline plan. An efficient cost allowance of £21.26m was proposed using our cost assessment. The PCD requires the installation of standardised harmonic filter designs at six locations on SPT's 132kV network to prevent voltage harmonics in excess of planning and compatibility limits. The harmonic filters will (as far as possible) be installed at sites in the following sequence: 1. Black Hill, 1x20MVAR 2. New Cumnock, 1x20MVAR	There were no direct Draft Determination responses.	**Accept with amendment:** We have decided to accept this amended PCD for the same reasons as set out in Draft Determinations.

	3. Newton Stewart, 1x20MVAR 4. Margree, 1x20MVAR 5. Moffat, 1x20MVAR 6. Linnmill, 1x20VAR. Delivery of all would be required on or before 31 December 2026. For less certain investments, we were supportive of an alternative route to fund the installation of additional harmonic equipment. This is subject to us receiving further information from the TOs on the range and type of delivered or proposed transmission solutions within each of their network areas that support the design of the volume driver.		
Resilience and Operability - Voltage Management: SPT proposed to install shunt reactors and STATCOMs to provide 515MVAr of compensation to address voltage non-compliance due to closure of Hunterston and changes to generation profile.	**Accept:** In our Draft Determinations we proposed to accept these proposals into Baseline Funding subject to a PCD to protect against under-delivery the RIIO T2 period.	There were no direct Draft Determination responses.	**Accept:** We have decided to accept this PCD for the same reasons as set out in Draft Determinations.
Resilience and Operability - Black Start: SPT proposed to install 30 circuit breakers with the capability for point on wave switching and the reconfiguration of 16 sites across the network.	**Accept with amendment:** We have concerns over the timing and risk of deferral. We proposed approving the scheme for baseline funding subject to a PCD to protect against this risk. Outputs appropriate for this scheme will be managed under a PCD.	There were no direct Draft Determination responses.	**Accept:** We have decided to accept this PCD for the same reasons as set out in Draft Determinations.

Reliance and Operability - Circuit Rating Management System: SPT proposed the installation of real time thermal rating system utilising analytics and data processing. PCD due to the rating uplift being dependent upon weather conditions at the time. The total project cost is estimated to be £4.65m, of which the majority (£4.3m) is expected to be incurred within the RIIO-ET2 period.	**Reject:** There was limited justification in terms of quantifiable output for the scheme. The scheme output appears to be the creation of a new system to manage circuit ratings however there was no quantifiable benefit to the network itself.	During the consultation on our Draft Determinations, SPT provided updated engineering justification on the direct benefit this scheme would have on their network.	**Accept:** Having reviewed this additional evidence, we have accepted this project for inclusion in baseline because we are satisfied with the updated engineering justification. A PCD will also apply to protect against the risk of under-delivery in the RIIO T2 period.
Demand Connections - Kendoon to Tongland Reinforcement: SPT proposed a reinforcement to allow embedded generation in Dumfries and Galloway to export onto the transmission network, PCD to manage a range of uncertainty.	**Accept:** At Draft Determinations, we proposed to accept these proposals subject to a PCD.	In response to our Draft Determinations, SPT said that they did not expect PCDs to be specified for their demand connections so that there would be flexibility under the volume driver to substitute projects or adjust allowances for the actual projects that proceed.	**Accept:** We have reviewed the feedback provided by SPT and agree that a PCD is not the most appropriate mechanism for these works. There are clearly defined outputs and the scheme is not complex, therefore the works remain approved and have been included within the Volume Driver Mechanism. As a result, there will not be a PCD attached.
Demand Connections - Network Rail: SPT proposed a reinforcement across substations to provide capacity to Network Rail as contracted.	**Reject:** While we accepted the rationale for the PCD, SPT had not provided justification for the schemes that would be covered by it. We rejected the PCD in the absence of this information.	SPT provided justification reports for these schemes**.**	**Accept:** We have decided to include these works within the Demand Connection Volume Driver as the justification provided by SPT was sufficient to approve the schemes for delivery. There are clearly defined outputs and the scheme is not complex. As a result, there will not be a PCD attached.
Demand Connections - SP Distribution: SPT proposed a PCD	**Accept:** At Draft Determinations, we proposed to	In response to our Draft Determinations, SPT said that	**Accept:** We have decided to include these works within the

for connection projects across a range of named sites.	accept these proposals subject to a PCD.	they did not expect PCDs to be specified for their demand connections so that there would be flexibility under the volume driver to substitute projects or adjust allowances for the actual projects that proceed.	Demand Connection Volume Driver Works without a PCD attached. There are clearly defined outputs and the scheme is not complex.
Generation Connections - Shared Use - 2027MVA: SPT proposed a PCD for connection of 2,027MVA of new network capacity to the transmission network.	**Accept:** At Draft Determinations, we proposed to accept these proposals subject to a PCD.	In response to our Draft Determinations, SPT said that they did not expect PCDs to be specified for their demand connections so that there would be flexibility under the volume driver to substitute projects or adjust allowances for the actual projects that proceed.	**Accept:** We have decided to include these works within the Volume Driver Mechanism without a PCD attached. There are clearly defined outputs and the scheme is not complex.
Generation Connections - Sole Use - 900MW: SPT proposed a PCD for the connection of 900MW of generation to the transmission network.	**Accept:** At Draft Determinations, we proposed to accept these proposals subject to a PCD.	In response to our Draft Determinations, there was feedback as to whether this PCD was an appropriate mechanism for these works.	**Accept:** We have decided to include these works within the Volume Driver Mechanism without a PCD attached. There are clearly defined outputs and the scheme is not complex.
Net Zero Fund: SPT proposed a Net Zero Fund (NZF) to support low carbon initiatives with tangible outcomes that benefit vulnerable communities.	**Accept:** We proposed to accept SPT's bespoke PCD for a £20m NZF, on a UIOLI basis, subject to three conditions.	SPT stated that the NZF has been supported by stakeholders and will deliver wider societal benefits. SPT supports the proposal for this to be funded on a UIOLI basis and the publication of a report, but notes it does not have control of the outputs associated as it will not be delivering the project itself.	**Accept with amendment:** We have decided to accept SPT's bespoke NZF proposal but to reduce the funding to £5m instead of the £20m proposal in Draft Determinations. Please see Chapter 2 of this document for further information.

		One response suggested that there is significant overlap with distribution level activity and proposals should be revised accordingly. Three other respondents supported the proposed NZF.	
Energy Not Supplied (ENS) Ring Fenced UIOLI Funding: SPT proposed an annual £1.5m UIOLI funding to mitigate and respond to risks of loss of supply events during planned outages affecting distribution-connected customers.	**Reject:** We considered that SPT's bespoke UIOLI funding request for mitigating the risk of loss of supply events, in addition to the ENS ODI-F, was not sufficiently justified.	SPT did not agree that this should be rejected and believe Ofgem has not considered the comprehensive approach to enhancing and improving the reliability incentive. SPT stated that Ofgem has addressed each of the bespoke proposals individually and does not consider them as a whole and that interactions exist between them.	**Reject:** We have decided to reject SPT's ENS UIOLI funding request for the same reasons set out in Draft Determinations. SPT's Draft Determination response has not changed our view that the ENS ODI-F is sufficient to encourage SPT to deliver network reliability and manage short-term operational risk in an efficient way.

Table A2.2: SPT's CVP proposals

CVP name and description	Ofgem's Draft Determination proposal summary	Consultation response summary	Ofgem's Final Determination
Maximise benefit from non-operational land: SPT proposed to provide non-operational land to community groups to install 4MW of renewable generation, delivering £4.2m benefit over the life of the projects.	**Accept:** We considered that SPT's proposal goes beyond BAU and will provide consumer benefit.	We received four responses to this CVP, from an industry group, a consumer representative group and two Enhanced Engagement groups, all of which supported our Draft Determination position. A consumer representative group encouraged Ofgem and	**Accept:** We have decided to implement our Draft Determination proposal and accept this CVP and have set a reward of £2.06m. For further details see Chapter 6 in this document.

CVP name and description	Ofgem's Draft Determination proposal summary	Consultation response summary	Ofgem's Final Determination
		SPT to exceed the proposed 4MW community renewable generation target, and an industry group suggested the land also be made available for community EV charging. SPT responded that the land may be used for biodiversity enhancement projects, not just community renewable projects, and proposed changing the delivery metric from the amount of generation installed to the number of access agreements made with community groups.	
Carbon abatement: SPT proposed a CVP and requested baseline funding for directly connecting 889MW of renewable generation, creating capacity for 800MW of embedded generation and increasing the capacity for additional renewable generation to be transferred across Scotland and Great Britain by 800MW. Stated emissions reductions would deliver £81m benefit per annum.	**Reject:** We stated that facilitating connection of renewable generation to the network should be considered as BAU and did not present additional value to existing and future vulnerable consumers.	There were no direct Draft Determination responses.	**Reject:** We did not receive additional evidence on our proposal to change our view from Draft Determinations therefore we have decided to reject this CVP proposal**.** We consider facilitating renewable generation to be BAU.
Additional contribution to the low carbon transition: Relating to three proposed elements: maximising supply chain	**Reject:** We considered that there was insufficient supporting evidence or appropriate methodology. We	There were no direct Draft Determination responses.	**Reject:** We have decided to implement the position proposed at Draft Determinations to reject this CVP.

CVP name and description	Ofgem's Draft Determination proposal summary	Consultation response summary	Ofgem's Final Determination
sustainability, accelerating adoption of low carbon fleet, and delivering biodiversity net gain initiatives, delivering £3.16m benefit.	proposed to reject the ODI-F to which this proposal relates.		We received no additional information in response to our Draft Determination and therefore did not have enough information.
Non-Load network constraint costs: Detailed designs and extensive planning for management of asset risk, generating a net benefit of up to £5.7m of avoided network constraint costs.	**Reject:** We consider this is BAU activity expected of the TOs when assessing options for delivery. This option will be delivered using baseline allowances.	There were no direct Draft Determination responses.	**Reject:** We did not receive additional evidence on the proposal to change our view from Draft Determinations and therefore we have decided to reject CVP proposal**.**
Net Zero Fund: CVP relates to a PCD proposal for a £20m fund we propose to accept. SPT proposed that this would support the creation of jobs in local communities as well as delivering carbon savings and supporting communities in vulnerable circumstances, delivering £60m social benefit over the life of the fund projects.	**Reject:** We considered that the methodology did not include sufficient evidence demonstrating how each pound invested equates to three pounds of consumer value. Additionally, there is insufficient evidence of consumer support for the CVP proposal.	In response to our Draft Determinations, SPT revised the CVP value of this proposal to £6m to cover its management of the fund, such as engagement activities or funding additional resources.	**Reject:** We have decided to implement the position proposed at Draft Determinations to reject this CVP. We expect the Net Zero fund to include the costs of delivering the fund, and do not consider a CVP to be the appropriate mechanism to fund opex costs.
SF6 commitments: Commitments to SF6 leakage reduction and alternatives, avoiding 9,700kg of SF6, a potent greenhouse gas, being added to the network across RIIO-ET2, delivering £11.8m benefit over the life of the assets.	**Reject:** We considered that this proposal does not goes beyond BAU. SPT can receive reward for reduction of SF6 through the IIG ODI-F.	There were no direct Draft Determination responses.	**Reject:** We have decided to implement the position proposed at Draft Determinations to reject this CVP. We did not receive additional evidence to change our view at Draft Determinations that this

CVP name and description	Ofgem's Draft Determination proposal summary	Consultation response summary	Ofgem's Final Determination
			proposal does not goes beyond BAU.
Connections Incentive: Incentive comprising of three sections (Quality of Connection Survey, Quality of Engagement Survey and Timely Connections Offers), delivering £9.5m benefit per annum.	**Reject:** This activity is already incentivised through an ODI-F and we considered that SPT has not demonstrated any additional value for existing and future vulnerable consumers to justify a CVP reward.	There were no direct Draft Determination responses.	**Reject:** We have decided to implement the position proposed at Draft Determinations to reject this CVP. This activity is already incentivised through an ODI-F and we do not consider it appropriate to reward SPT further than this through a CVP.
Losses strategy: Network losses reduction initiatives contained within Losses Strategy will result in the avoidance of 3,700 tCO_2e annually, delivering £36.1m benefit over the life of the assets.	**Reject:** We considered that this did not go beyond BAU. It is a BAU requirement for all TOs to have a losses strategy.	There were no direct Draft Determination responses.	**Reject:** We have decided to implement the position proposed at Draft Determinations to reject this CVP. We do not consider this proposal goes beyond BAU, and it is already a requirement that all TOs have a losses strategy in place.
Low carbon fleet: Replacing 100% of 72 cars and vans with electric alternatives by the end of RIIO-ET2, avoiding over 320 tCO_2e emissions per year, delivering £0.1m benefit over the life of the assets.	**Reject:** Due to the inherent uncertainty around the future pace of Electric Vehicle (EV) rollout, the future cost of EVs, and the small value of the estimated CVP, we considered it was not in consumers' interests to include any financial incentives related to the EV rollout.	There were no direct Draft Determination responses.	**Reject:** We have decided to implement the position proposed at Draft Determinations to reject this CVP. Other networks have proposed to transition their fleets to EVs without additional reward, therefore we do not consider it appropriate to provide additional reward through a CVP.
Network availability incentive: Relating to proposed outputs: Energy Not Supplied and Optimising Network Availability for	**Reject:** This activity is already incentivised through an ODI-F. Therefore, we considered it was not in consumers' interests to apply an	There were no direct Draft Determination responses.	**Reject:** We have decided to implement the position proposed at Draft Determinations to reject this CVP. This activity is already

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Connected Generation, delivering benefit of up to £6.5m per annum.	additional reward for the same activity.		incentivised through an ODI-F and we do not consider it appropriate to reward SPT further than this through a CVP.
Stakeholder engagement PLUS: Relating to three proposed outputs: Black Start Resilience, Community Energy Scheme Capability and Stakeholder Engagement Performance Levels, which will benefit customers, delivering £3.4m benefit per annum for each output.	**Reject:** We proposed to reject the ODI-F to which this proposal relates because we considered that this did not go beyond BAU. Additionally, there is no justification setting out why additional reward is justified.	There were no direct Draft Determination responses.	**Reject:** We have decided to implement the position proposed at Draft Determinations to reject this CVP. As stated in our SSMD, we expect high quality stakeholder engagement to be BAU in RIIO-2 and we do not consider that this proposal goes beyond that.
Energy system transition innovation: Solving strategic energy system transition challenges in RIIO-ET2 through innovation, delivering benefit in excess of £73m in RIIO-ET3.	**Reject:** We consider that SPT should not receive additional funding for energy system transition innovation. SPT are otherwise incentivised to do innovation as part of BAU activities within the RIIO-ET2 period and have been awarded NIA funding for the RIIO-ET2 period to fund innovation focused on the energy system transition. Therefore, we do not believe additional funding is justified for this CVP.	There were no direct Draft Determination responses.	**Reject:** We have decided to implement the position proposed at Draft Determinations to reject this CVP. We consider that innovation projects related to the energy system transition should be funded through specific innovation funding rather than through a CVP.
Innovation rollout: Rolling out of successful innovation projects on SPT's network, delivering benefit in excess of £30m.	**Reject:** Allowances were already made for these activities in RIIO-ET1. We considered this activity in RIIO-ET2 as BAU.	Together with its response to questions on its NIA funding, SPT disagreed with our proposed rejection of its bespoke proposal on innovation rollout. It noted	**Reject:** We have decided to implement the position proposed at Draft Determinations to reject this CVP.

CVP name and description	Ofgem's Draft Determination proposal summary	Consultation response summary	Ofgem's Final Determination
		that their proposal built upon requests from Ofgem in the SSMD and Business Plan Guidance for companies to take forward innovation rollouts.	The response from SPT has not changed our position that because innovation allowances were provided for innovation activities in RIIO-ET1, innovation rollouts should ordinarily be BAU activity in RIIO-ET2. We do not think SPT has justified the need for additional funding for these innovation rollouts.
Non-load risk: Managing condition and risk of the asset base resulting in network users and consumers benefit by reducing network risk, delivering £1,600m benefit compared to deferring investments.	**Reject:** We consider that the NARMs process, or network management approach is not going beyond BAU.	There were no direct Draft Determination responses.	**Reject:** We have decided to implement the position proposed at Draft Determinations to reject this CVP. We did not receive additional evidence to change our view at Draft Determinations that this CVP proposal does not go beyond BAU.
Non-load asset modelling: Using advanced modelling of asset condition, maximising the economic lives of assets, avoiding £81m of investment in RIIO-ET2.	**Reject:** We do not consider that this modelling pushes the boundary compared to modelling undertaken for the NARM process or BAU asset management.	There were no direct Draft Determination responses.	**Reject:** We have decided to implement the position proposed at Draft Determinations to reject this CVP. We do not consider this goes beyond BAU asset management.
Electric vehicle capacity: Ensuring transmission network capacity for charging 130,000 new electric vehicles by the end of RIIO-ET2, delivering £3.7m benefit per year by end of RIIO-ET2.	**Reject:** We consider that it is not appropriate to socialise the cost of this reward all consumers. We do not consider there is sufficient engineering justification that EV connections are driving reinforcement work at transmission	There were no direct Draft Determination responses.	**Reject:** We have decided to implement the position proposed at Draft Determinations to reject this CVP. We do not consider there is sufficient engineering justification

CVP name and description	Ofgem's Draft Determination proposal summary	Consultation response summary	Ofgem's Final Determination
	level. We are not confident in how the benefits of reinforcement work are defined.		that EV connections are driving reinforcement at transmission level.
Networks safety education programmes: Delivering educational programmes on electrical safety to approximately 26,000 children and 22,000 adults annually over RIIO-ET2, delivering £0.38m benefit over RIIO-ET2.	**Reject:** The Electricity Safety, Quality and Continuity Regulation (ESQCR) includes a duty for networks to take "proactive measures" educating the public. As such, we consider this should be BAU.	There were no direct Draft Determination responses.	**Reject:** We have decided to implement the position proposed at Draft Determinations to reject this CVP. We do not consider this proposal goes beyond BAU.
Constraint costs: Reducing the annual constraint costs the ESO would incur by the end of RIIO-ET2 as a result of boundary upgrades SPT are completing in the period, delivering £152m benefit per annum by end of RIIO-ET2.	**Reject:** We consider this is BAU activity that will be delivered using baseline allowances.	There were no direct Draft Determination responses.	**Reject:** We have decided to implement the position proposed at Draft Determinations to reject this CVP. We do not consider this proposal goes beyond BAU.
Whole system ESO-TO constraint mitigation: Relating to proposed ESO-TO constraint mitigation incentive (see paragraph 2.11), reducing constraint costs by approximately 10%, delivering up to £21m benefit per annum.	**Reject:** We proposed to reject the associated ODI-F on the basis that we do not have sufficient evidence to justify why an incentive is required to encourage the use of the STCP11-4. We are therefore of the view that SPT does not require a CVP reward to deliver against the use of these provisions.	There were no direct Draft Determination responses.	**Reject:** We have decided to implement the position proposed at Draft Determinations to reject this CVP.
Mental health first aid: SPT proposed to train 2% of staff as mental first aiders, and reduce mental health problems within	**Reject:** We considered ensuring the well-being of staff to be BAU. Additionally, we do not consider the quantification methodology is justified.	There were no direct Draft Determination responses.	**Reject:** We have decided to implement the position proposed at Draft Determinations to reject this CVP. We do not consider this proposal goes beyond BAU.

CVP name and description	Ofgem's Draft Determination proposal summary	Consultation response summary	Ofgem's Final Determination
workforce, delivering £3.3m benefit over RIIO-ET2.			
Substation energy efficiency: Implementing energy efficiency measures at 48 substations, reducing energy consumption by more than 1,000MWh per year, delivering £2.4m benefits.	**Reject:** We expected the licensees to be installing efficient solutions at their sites as part of BAU, this proposal does not exceed our expectations for that.	There were no direct Draft Determination responses.	**Reject:** We have decided to implement the position proposed at Draft Determinations to reject this CVP. We do not consider this proposal goes beyond BAU.
Innovation projects partnerships: Partnering with a wide range of third parties, small and medium-sized enterprises (SMEs) and universities**.** The benefit of this proposal was not quantified in monetary terms.	**Reject:** We welcomed SPT's proposal to partner with a range of third parties in developing innovation projects. However, we considered engagement of this sort to be BAU in RIIO-2.	There were no direct Draft Determination responses.	**Reject:** We have decided to implement the position proposed at Draft Determinations to reject this CVP. We do not consider this proposal goes beyond BAU.
Reduced incidents and absences: Resulting in a more efficient workforce with high morale. The benefit of this proposal was not quantified in monetary terms.	**Reject:** We considered workforce health and safety to be a BAU requirement for any network company, and it is not demonstrated that this proposal results in wider benefits for current and future consumers.	There were no direct Draft Determination responses.	**Reject:** We have decided to implement the position proposed at Draft Determinations to reject this CVP. We do not consider this proposal goes beyond BAU.
Workforce health and safety: Resulting in wider socio-economic benefits, and reducing impacts on NHS. The benefit of this proposal was not quantified in monetary terms.	**Reject:** We considered workforce health and safety to be a BAU requirement for any network company, and it is not demonstrated that this proposal results in wider benefits for current and future consumers.	There were no direct Draft Determination responses.	**Reject:** We have decided to implement the position proposed at Draft Determinations to reject this CVP. We do not consider this proposal goes beyond BAU.
Injuries in the workplace: The benefit of this proposal was not quantified in monetary terms.	**Reject:** We considered workforce health and safety to be a BAU requirement for any network company, and it is not	There were no direct Draft Determination responses.	**Reject:** We have decided to implement the position proposed at Draft Determinations to reject

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	demonstrated that this proposal results in wider benefits for current and future consumers.		this CVP. We do not consider this proposal goes beyond BAU.

Table A2.4: SPT's bespoke UM proposals

UM name and description	Ofgem's Draft Determination summary	Consultation response summary	Ofgem's Final Determination
Uncertain non-load projects: SPT proposed six non-load projects to be excluded from baseline funding and subject to an in-period re-opener.	**Accept:** We proposed a re-opener with a single window limited to the six non-load projects, including any revised proposals designed to deliver equivalent outcomes.	Two respondents agreed with this decision. SPT proposed annual re-opener windows with a requirement for the company to notify Ofgem of its intent to submit a proposal three months in advance.	**Accept with amendment:** We considered SPT's response and agree that an annual re-opener window would not be overly burdensome on either Ofgem or SPT. As a result, we have decided to amend and accept our Draft Determination proposal to allow an annual re-opener window.
Major Boundary Upgrades Strategic Wider Works: SPT proposed to continue the RIIO-ET1 UM for assessing the need for and cost of large transmission investments.	**Accept as common UM:** We proposed to implement the LOTI re-opener as a successor to Strategic Wider Works.	Responses broadly agreed with our proposal to implement the LOTI re-opener, though raised concerns regarding the timing of the assessment stages.	**Accept as common UM:** We have decided to implement out Draft Determination position. Please see ET Annex, Chapter 4 for further information on the LOTI re-opener.
Generation Shared Use, Generation Sole Use and Demand Connections: SPT proposed a range of revenue drivers to allow for new generation and	**Accept as common UM:** Using a consistent approach across all TOs in the level of disaggregation applied to the Volume Driver but providing rates for different activities specific to each company to reflect the different	Three respondents disagreed with our position. They thought that the proposed mechanisms are poorly designed, would provide inadequate funding, and likely delay projects that are critical to the achievement of Net Zero.	**Accept with amendments:** We remain of the view that a common form of volume driver with company-specific parameters is appropriate. However, following further engagement with the companies we have made several

UM name and description	Ofgem's Draft Determination summary	Consultation response summary	Ofgem's Final Determination
demand projects that arise through the RIIO-ET2 period to gain automatic allowances.	connections and network challenges that each TO has. Company-specific parameters as below: • Generation/demand - £26k/MW, £26k/MVA • Overhead line - £53k/km • Cable – £255k/km These values will be subject to further review.		amendments to the common volume driver design for all ETOs. Please see ET Sector Annex, Chapter 4 for further information.
Financial Uncertainty mechanism: SPT proposed various index, pass through and re-openers for financial uncertainties including business rates.	**Reject:** We considered that all the areas SPT intended to cover through this UM are captured within our overall financial package.	There were no direct Draft Determination responses.	**Reject**: We did not receive additional evidence on this proposal to change our view at Draft Determinations and therefore we have decided to reject this CVP proposal**.**
Net zero operability challenges: SPT proposed this UM to allow it to seek funding for various investments that may be required during the price control: • Unit cost allowances for Shunt Reactors, Harmonic Filters and Operational Load Management Schemes, and • Set allowances for three Synchronous Compensators (£155m total cost) to replace what has	**Reject:** We proposed to reject this UM because while we were broadly supportive of the needs case presented by SPT, we considered that the areas SPT has identified are better covered through other UMs that we propose to include in RIIO-ET2. We proposed a specific Shunt Reactors UM. We considered that Harmonic Filters and Operational Load Management Schemes could be considered through our MSIP re-opener. In relation to synchronous compensators, we set out that there	Two respondents were supportive of the introduction of a volume driver mechanism and suggested a unit cost allowance for different sizes of reactors as the basis of the mechanism. A further respondent acknowledged there is a lack of appropriate unit cost information at this stage and noted that MSIP may be a pragmatic funding route. Responses were supportive of our view that harmonic filters and operational load management schemes could be considered under the MSIP re-opener, though some flagged concerns regarding the threshold and regularity of the re-	**Reject:** We no longer propose developing a Volume Driver Mechanism to provide funding for additional shunt reactor investment triggered by the ESO. Funding of any additional non-baseline shunt reactors will instead be available through the MSIP re-opener. We are unable to determine the need, timing, output and cost upon which to set an appropriate unit rate for the range of potential solutions at this stage. Similarly, we are not providing any baseline allowances for

UM name and description	Ofgem's Draft Determination summary	Consultation response summary	Ofgem's Final Determination
been lost due to synchronous generation closures.	was clearly a fine balance between the established technical needs case for some degree of intervention and ensuring that a network company's participation in areas outside its licence doesn't cause distortions in markets. As such, while we proposed that these investments could be considered further through our MSIP re-opener, we welcomed views regarding alternative approaches.	opener. Those concerns are address in Chapter 4 of our ET Annex. We received five responses that directly addressed the treatment of synchronous compensators. SPT were broadly supportive of including an option for assessing the need for synchronous compensation on its network within the period through the MSIP re-opener. However, other respondents flagged a concern that allowing SPT to build Synchronous Compensators could cause distortions in competitive markets, such as the ESO pathfinders.	Synchronous Compensators. However, we will allow SPT to bring forward funding requests in relation to Synchronous Compensators through the MSIP re-opener, where the ESO confirms that there is a need for these works following the outcome of its pathfinder processes.
Legislative, policy and standards uncertainty re-opener for: • Planning requirements • Brexit Black Start • Climate change and environmental uncertainty • Energy Data Task Force • Environmental Enhancements • Flood Resilience • Non-rechargeable diversions	**Further information required:** We considered that the need for these UMs had not been demonstrated. We sought additional information regarding a re-opener in some of these areas. There are some areas, listed below, that are already covered by other proposed re-openers: • Black Start - See ET Annex, MSIP re-opener. • Flood Resilience - See ET Annex, MSIP re-opener. • Physical Security - See Core Document, Physical Security re-opener.	For information on responses to the Legislative, policy and standards uncertainty re-opener, please see Chapter 7 in the Core Document.	For information on our decisions related to legislative, policy and standards uncertainty areas where we have been convinced of the need of additional baseline allowances or specific UM's, please see the respective sector annexes. On our decisions for specific cross-sectoral uncertainty areas, such as Brexit, changes to engineering and technical standards and climate resilience, please see Chapter 7 in the Core Document.

UM name and description	Ofgem's Draft Determination summary	Consultation response summary	Ofgem's Final Determination
• Wayleave review adjustment • Physical Security • Cyber Security • Other Legislative, regulatory or standard changes SPT proposed re-openers covering all of the areas above.	• Cyber Security - See Core Document, Cyber Security re-opener. • Energy Data Task Force requirements - See Core Document, Chapter on Modernising Energy Data. We propose to reject the following aspects of SPTs proposal: • Planning Requirements: There is insufficient evidence to demonstrate that planning obligations are beyond BAU activities for SPT. We expect that our baseline allowances have funded SPT sufficiently for these activities.		For Environmental Enhancements, we have decided to change our Draft Determination decision and provide additional UIOLI baseline funding on this area for the projects that SPT has included in its baseline. Please see Chapter 2 of this document for further information.
Net Zero: SPT proposed a re-opener to account for changes during RIIO-2 related to the UK's Net Zero ambitions.	**Reject:** We considered that a company specific re-opener to account for changes during RIIO-2 related to the UK's Net Zero ambitions was not needed. We noted that we are introducing a system-wide Net Zero re-opener in the price controls spanning the gas and electricity sectors so that these can respond flexibly to changing technological and policy developments in the path to Net Zero.	There were no direct Draft Determination responses.	**Reject:** We have decided to reject a company specific reopener as we did not receive any new evidence that this was needed in response to the Draft Determination to change our view that this was unnecessary given the common system-wide reopener we are introducing. Please see Chapter 8 in the Final Determinations Core Document.