

To: licence holders for
Gas Transmission
Gas Distribution
Electricity Transmission

Direct Dial: 020 7901 0510
Email: RIIO2@ofgem.gov.uk

Date: 26/02/2021

Dear Network Companies,

Direction under Part C of Special Condition 5.3 (Carry-over Network Innovation Allowance) of the gas transmission licence, Part C of 5.3 (Carry-over Network Innovation Allowance) of the gas distribution licence, Part C of 5.3 (Carry-over Network Innovation Allowance) of the electricity transmission licence, and Part C of 4.7 (Carry-over Network Innovation Allowance of the electricity system operator licence

1. Each of the companies to whom this direction is addressed is the holder of a licence granted or treated as granted under section 6(1)(b) of the Electricity Act 1989 or section 7 of the Gas Act 1989.
2. In accordance with paragraphs
 - a. 5.3.11 of Special Condition 5.3 (Carry-over Network Innovation Allowance) of the gas transmission licence
 - b. 5.3.11 of Special Condition 5.3 (Carry-over Network Innovation Allowance) of the electricity transmission licence
 - c. 5.3.11 of Special Condition 5.3 (Carry-over Network Innovation Allowance) of the gas distribution licence
 - d. 4.7.11 of Special Condition 4.7 (Carry-over Network Innovation Allowance) of the electricity system operator licence

on 16 February 2021 the Gas and Electricity Markets Authority (“the Authority”)¹ published on its website the text of the proposed revisions to the RIIO-1 Gas Network Innovation Allowance Governance Document v3, and the proposed revisions to the RIIO-1 Electricity Network Innovation Allowance Governance Document v3, and stated that representations must be made on or before 16 March 2021.

3. The RIIO-1 Gas Network Innovation Allowance Governance Document will satisfy the “RIIO-1 NIA Governance Document” for the purposes of Part C of Special Condition

¹ The terms “the Authority”, “we” and “us” are used interchangeably in this document.

5.3 of the gas transmission licence. The RIIO-1 Electricity Network Innovation Allowance Governance Document will satisfy the "RIIO-1 NIA Governance Document" for the purposes of Part C of Special Condition 5.3 of the Electricity Transmission Licence. The RIIO-1 Electricity Network Innovation Allowance Governance Document will satisfy the "RIIO-1 NIA Governance Document" for the purposes of Part C of Special Condition 4.7 of the Electricity System Operator Electricity Transmission Licence.

4. We received five responses, which we have carefully considered. We have placed all non-confidential responses on our website. Our response to these comments is set out in the issues log, which can be found [here](#).
5. We have made a number of changes to the proposed text to fix typos, and to provide clarity as a result of consultation responses. No material changes have been requested, or made. The full text of the RIIO-1 Gas Network Innovation Allowance Governance Document v4, and the RIIO-1 Electricity Network Innovation Allowance Governance Document v4, can be found [here](#), as well as track change versions of both that highlight in yellow the changes made since publication on 16 February 2021.
6. The reason for this direction is to give effect to our decision in paragraph 8.84 in the Final Determinations Core Document², to update the existing RIIO-1 NIA Governance Document to reflect the Carry-over NIA arrangements, as allowed for by Special Condition 5.3 of the gas transmission and distribution licence holders and electricity transmission licence holders, and Special Condition 4.7 of the electricity system operator licence.
7. This direction is our notice of reasons for the purposes of section 49A of the Electricity Act 1989 and section 38A of the Gas Act 1986.
8. Now the Authority pursuant to the provisions of Special Condition 1.1 (Interpretation and definitions) and Special Condition 5.3 hereby directs that the RIIO-1 Gas Network Innovation Allowance Governance Document v4, and the RIIO-1 Electricity Network Innovation Allowance Governance Document v4, are issued and will have effect from 1 April 2021.

For more information regarding this Direction you should contact Joanna Gaches at Joanna.gaches@ofgem.gov.uk

Min Zhu

Deputy Director, ET Sector, Systems & Networks



² https://www.ofgem.gov.uk/system/files/docs/2020/12/final_determinations_-_core_document.pdf

Michael Wagner

Deputy Director, Gas Sector, systems & Networks

A handwritten signature in blue ink, appearing to read 'M Wagner', with a long horizontal flourish extending to the right.

Signed on behalf of the Authority and authorised for that purpose by the Authority