

Mohamed Khalif
Ofgem
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Date
16 March 2021
Contact / Extension
Stephanie Anderson
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Dear Mohamed,

Net Zero and Re-opener Development Use It or Lose It (UIOLI) Allowance Governance Document Consultation (RIIO-2 NZARD Consultation)

This response is from SP Transmission (SPT) which holds the transmission licence for the south and central Scotland. SPT is part of SP Energy Networks (SPEN) and the wider Iberdrola group. We welcome the opportunity to respond to the RIIO-2 NZARD Consultation, following: the Licence Drafting Working Groups (LDWGs); the RIIO-2 Informal Licence Drafting Consultation issued by Ofgem in September 2020; and the RIIO-2 Statutory Consultation on the RIIO-T2 Licence published on 17 December 2020 (the Licence Consultation), which our RIIO-T2 team has actively participated in.

The issues raised in this response should be considered in conjunction with SPT's response to the Licence Consultation, which we submitted to Ofgem on the 19th January 2021 (SPT's Licence Consultation Response).

References to licence drafting and licence conditions in the enclosed Issues Log (at Appendix 1) are references to the RIIO-T2 Licence Conditions, as issued by Ofgem on 3 February 2021, together with its decision following the Licence Consultation.

SPT's comments on the licence condition associated with the Net Zero and Reopener Development Fund (as such term is defined in the RIIO-T2 Licence Conditions) are set out in detail in SPT's Licence Consultation Response. The comments provided in this letter, and its Appendix 1, are in addition to our previous comments on the licence condition associated with the Net Zero and Reopener Development Fund and should not be considered as replacing those comments. SPT's comments on the draft RIIO-2 Net Zero and Reopener Development UIOLI Allowance Governance Document are detailed in this response.

In addition to our comments in Appendix 1 of this response, we would welcome clarification from Ofgem as to the treatment of the NZARD funding allowances allocated to each network operator over the RIIO-2 period. Where a network operator fails to utilise its full allowance in a particular year, which for SPT is £2.4m per annum, is it the case that any underspend can simply be carried over to the following year to continue to support the early development of future Net Zero projects as the licence condition intends?

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A further observation is that the scope of the Net Zero and Reopener Development Fund is different for electricity transmission, compared to gas transmission and gas distribution, whereby gas companies can also benefit from funding for small Net Zero facilitation projects. We would therefore propose that once finalised, separate guidance documents are published for electricity transmission and the gas sector to avoid confusion as to the scope of the Net Zero and Reopener Development Fund for the various sectors.

Our comments and this letter are submitted to Ofgem entirely without prejudice to SPT's Licence Consultation Response, SPT's rights, including those under the Electricity Act 1989, and SPT's ongoing appeal of the RIIO-T2 licence modifications to the Competition and Markets Authority. All of SPT's rights are reserved.

Yours sincerely,



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