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16 March 2021

Dear Mohamed

NET ZERO AND RE-OPENER DEVELOPMENT UIOLI ALLOWANCE GOVERNANCE DOCUMENT

Northern Powergrid seeks updates in two areas of the draft Governance Document for the Net Zero and Re-opener Development (NZARD) use-it or lose-it (UIOLI) allowance dated 16 February 2021. These relate to the definition of scope and the common proforma.

Definition of scope

The requirements in paragraph 2.3 and 2.4 for investments to be “low regret” are not clear and will inevitably involve the application of subjective judgements.

The phrase “low regret” should be replaced with a clear standard of evidence that will allow licensees to be sure that they are complying with the requirement. For example, “The NZARD allowance may be used where there is a reasonable prospect that the development costs could culminate in a project that is eligible for funding under one of the reopeners provided for in the governance document”.

Common proforma

The requirement, under paragraph 2.6, for a common proforma to be developed are not specific or time-bound and might not always be possible to meet (for example if only one licensee requires funding). Paragraph 2.6 also gives Ofgem the ability to require changes to the common proforma at any time and without any associated due process, potentially jeopardising compliance.

Paragraph 2.6 should, therefore, be amended such that:

- a) The process for developing the common proforma is re-specified and sets out sufficient detail to enable licensees to comply with it; and
- b) Ofgem’s powers with respect to the timing of modifications to the common proforma are limited and specified in that process (recognising that this is without prejudice to Ofgem’s normal information gathering powers).

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Please get in touch if you wish to discuss these or any other points.

Yours sincerely

A handwritten signature in dark ink, appearing to be 'Jim Cardwell', with a stylized, cursive-like script.

Jim Cardwell
Head of Policy Development