

To:

National Grid Electricity Transmission Plc
SP Transmission Ltd
Scottish Hydro Electric Transmission Plc
National Grid Electricity System Operator Ltd
National Grid Gas Plc
Cadent Gas Ltd
Northern Gas Networks Limited
Scotland Gas Networks Plc
Southern Gas Networks Plc
Wales & West Utilities Ltd.

Direct Dial: 0141 354 5416

Email: Steven.McMahon@ofgem.gov.uk

Date: 19/03/2021

Dear network companies and the ESO,

Direction to issue the RIIO-2 NIA Governance Document

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. 5.2.14 of Special Condition 5.2 (The RIIO-2 network innovation allowance) of the Gas Transporter Licence held by National Grid Gas plc;
 - b. 5.2.14 of Special Condition 5.2 (The RIIO-2 network innovation allowance) of the Gas Transporter Licence held by Cadent Gas Limited, Northern Gas Networks Limited, Scotland Gas Networks plc, Southern Gas Networks plc, and Wales and West Utilities Limited;
 - c. 5.2.11 of Special Condition 5.2 (The RIIO-2 network innovation allowance) of the Electricity Transmission Licence held by National Grid Electricity Transmission Plc, SP Transmission Ltd and Scottish Hydro Electric Transmission Plc; and
 - d. 4.6.11 of Special Condition 4.6 (The RIIO-2 network innovation allowance) of the Electricity Transmission Licence held by National Grid Electricity System Operator Limited,

on 26/01/2021 the Gas and Electricity Markets Authority ("the Authority")¹ published on its website the text of the proposed RIIO-2 NIA Governance Document and stated that representations must be made on or before 23/02/2021.

3. We received 13 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 is published on our website.²

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

² <https://www.ofgem.gov.uk/publications-and-updates/riio-2-nia-governance-document-0>

4. We have made a number of changes to the proposed text as a result of our consideration of consultation responses and to ensure the governance arrangements for the Network Innovation Allowance achieve our desired policy objectives, as set out in the RIIO-2 Final Determination.³ The full text of the RIIO-2 NIA Governance Document, as well as a track change version compared with that published on 26/01/2021, is published on our website.⁴
5. The reason for this direction is to give effect to a document which details the arrangements and governance of the network innovation allowance, which we decided to award licensees in the RIIO-2 Final Determination.⁵
6. 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.
7. Now the Authority pursuant to the provisions of:
 - a. Special Condition 1.1 (Interpretation and definitions) and Special Condition 5.2 (The RIIO-2 network innovation allowance) of the Gas Transporter Licence held by National Grid Gas plc;
 - b. Special Condition 1.1 (Interpretation and definitions) and Special Condition 5.2 (The RIIO-2 network innovation allowance) of the Gas Transporter Licence held by Cadent Gas Limited, Northern Gas Networks Limited, Scotland Gas Networks plc, Southern Gas Networks plc, and Wales and West Utilities Limited;
 - c. Special Condition 1.1 (Interpretation and definitions) and Special Condition 5.2 (The RIIO-2 network innovation allowance) of the Electricity Transmission Licence held by National Grid Electricity Transmission Plc, SP Transmission Ltd and Scottish Hydro Electric Transmission Plc; and
 - d. Special Condition 1.1 (Interpretation and definitions) and Special Condition 4.6 (The RIIO-2 network innovation allowance) of the National Grid Electricity System Operator Licence,hereby directs that the RIIO-2 NIA Governance Document is issued and will have effect from 01/04/2021.

For more information regarding this direction you should contact Graeme Barton (graeme.barton@ofgem.gov.uk) or Laura Hutton (laura.hutton@ofgem.gov.uk).



Steve McMahon

Deputy Director, ED Sector, Networks

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

³ Pages 105-112, [RIIO-2 Final Determination – Core Document](#), December 2020

⁴ <https://www.ofgem.gov.uk/publications-and-updates/riio-2-nia-governance-document-0>

⁵ Pages 105-112, [RIIO-2 Final Determination – Core Document](#), December 2020