

SP Transmission Ltd

Electricity transmission licence

Special Conditions

Contents

Chapter 1: Interpretation and definitions	6
Special Condition 1.1 Interpretation and definitions	6
Special Condition 1.2 Variations to the standard conditions for the purposes of this licence	35
Chapter 2: Revenue restriction	36
Special Condition 2.1 Revenue restriction	36
Special Condition 2.2 Tax allowance adjustment (TAXA _t)	39
Special Condition 2.3 Return Adjustment (RTNA _t)	40
Chapter 3: Totex Allowance adjustments	43
Special Condition 3.1 Baseline Network Risk Outputs (NARM _t)	43
Special Condition 3.2 Cyber resilience operational technology Re-opener, Price Control Deliverable and use it or lose it adjustment (CROT _t and CROTRE _t)	46
Special Condition 3.3 Cyber resilience information technology Re-opener and Price Control Deliverable (CRIT _t and CRITRE _t)	51
Special Condition 3.4 Physical security Re-opener and Price Control Deliverable (PSUP _t and PSUPRE _t)	56
Special Condition 3.5 Net Zero and Re-opener Development Fund use it or lose it allowance (RDF _t)	59
Special Condition 3.6 Net zero Re-opener (NZ _t)	61
Special Condition 3.7 Non-operational IT Capex Re-opener (NOIT _t)	63
Special Condition 3.8 Coordinated adjustment mechanism Re-opener (CAM _t)	65
Special Condition 3.9 Wider works Price Control Deliverable (WW _t)	67
Special Condition 3.10 Visual Impact Mitigation Re-opener and Price Control Deliverable and Enhancing Pre-existing Infrastructure Projects allowance (VIMRE _t and EPI _t)	71
Special Condition 3.11 Generation Connections volume driver (GCE _t)	77
Special Condition 3.12 Demand Connections volume driver (DRI _t)	81
Special Condition 3.13 Large onshore transmission investment Re-opener (LOTIRE _t)	85
Special Condition 3.14 Medium Sized Investment Projects Re-opener and Price Control Deliverable (MSIPRE _t)	90
Special Condition 3.15 Pre-Construction Funding Re-opener and Price Control Deliverable (PCF _t and PCFRE _t)	93
Special Condition 3.16 Access Reform Change Re-opener (ARR _t)	96
Special Condition 3.17 Shared schemes Price Control Deliverable (SS _t)	97
Special Condition 3.18 Resilience and operability Price Control Deliverable (RO _t)	99
Special Condition 3.19 Enhanced Environmental Requirements use it or lose it allowance (EER _t)	102
Special Condition 3.20 Not used	104
Special Condition 3.21 Not used	104

Special Condition 3.22 Not used	104
Special Condition 3.23 Not used	104
Special Condition 3.24 Not used	104
Special Condition 3.25 Not used	104
Special Condition 3.26 Not used	104
Special Condition 3.27 Not used	104
Special Condition 3.28 Not used	104
Special Condition 3.29 Uncertain non-load related projects Re-opener and Price Control Deliverable (UNLR _t)	104
Special Condition 3.30 Not used	107
Special Condition 3.31 Not used	107
Special Condition 3.32 Not used	107
Special Condition 3.33 Not used	107
Special Condition 3.34 Not used	107
Special Condition 3.35 Not used	107
Special Condition 3.36 Opex escalator (OE _t)	107
Special Condition 3.37 Entry and exit connection asset allowance (EECA _t)	109
Special Condition 3.38 Not used	109
Special Condition 3.39 Not used	109
Chapter 4: Output Delivery Incentives	110
Special Condition 4.1 Total output delivery incentive performance	110
Special Condition 4.2 Energy not supplied output delivery incentive (ENSI _t)	110
Special Condition 4.3 Insulation And Interruption Gas emissions output delivery incentive (IIGI _t)	113
Special Condition 4.4 Timely connections output delivery incentive (CONADJ _t)	117
Special Condition 4.5 Quality of connections satisfaction survey output delivery incentive (QCS _t)	118
Special Condition 4.6 Environmental scorecard output delivery incentive (ESI _t)	119
Special Condition 4.7 SO-TO optimisation output delivery incentive (SOTO _t)	127
Special Condition 4.8 Consumer value proposition	129
Chapter 5: Other Revenue Allowances	131
Special Condition 5.1 Total other revenue allowances (ORA _t)	131
Special Condition 5.2 RIIO-2 network innovation allowance (NIA _t)	131
Special Condition 5.3 Carry-over Network Innovation Allowance (CNIA _t)	133
Special Condition 5.4 Non-Technical Mitigation Projects allowance (NTMP _t)	136
Special Condition 5.5 Net Zero Fund use it or lose it allowance (NZF _t)	137
Special Condition 5.6 Not used	138
Special Condition 5.7 Transmission investment for renewable generation (TIRG _t)	138
Chapter 6: Pass-through expenditure	140
Special Condition 6.1 Pass-through items (PT _t)	140

Special Condition 6.2 Not used	140
Chapter 7: Legacy adjustments	141
Special Condition 7.1 Legacy adjustments to revenue (LAR _t)	141
Special Condition 7.2 Legacy pass-through items (LPT _t)	142
Special Condition 7.3 Legacy MOD (LMOD _t)	142
Special Condition 7.4 Legacy K correction (LK _t)	143
Special Condition 7.5 Legacy TRU Term (LTRU _t)	144
Special Condition 7.6 Close out of the RIIO-ET1 stakeholder satisfaction output (LSSO _t)	144
Special Condition 7.7 Close out of the RIIO-ET1 adjustment in respect of the Environmental Discretionary Reward Scheme (LEDR _t)	147
Special Condition 7.8 Close out of RIIO-ET1 incentive in respect of sulphur hexafluoride (SF ₆) gas emissions incentive (LSFI _t)	148
Special Condition 7.9 Close out of the RIIO-ET1 reliability incentive in respect of energy not supplied (LRI _t)	148
Special Condition 7.10 Close out of RIIO-1 Network Outputs (NOCO _t)	149
Special Condition 7.11 RIIO-ET1 network innovation competition	151
Special Condition 7.12 Legacy net RAV additions (LRAV _t)	152
Chapter 8: Governance	153
Special Condition 8.1 Governance of the ET2 Price Control Financial Instruments	153
Special Condition 8.2 Annual Iteration Process for the ET2 Price Control Financial Model	155
Chapter 9: General Obligations	159
Special Condition 9.1 Annual Environmental Report	159
Special Condition 9.2 Network Asset Risk Metric methodology	160
Special Condition 9.3 Price Control Deliverable Reporting Requirements and Methodology Document	163
Special Condition 9.4 Re-opener Guidance and Application Requirements Document	164
Special Condition 9.5 Digitalisation	166
Special Condition 9.6 Disapplication of Relevant Special Conditions	168
Special Condition 9.7 Directly Remunerated Services	170
Special Condition 9.8 Tax Reconciliation assurance statement	172
Special Condition 9.9 Activities Restrictions	174
Special Condition 9.10 Network Access Policy	174
Special Condition 9.11 Provision of information to the System Operator	176
Special Condition 9.12 Basis of Transmission Owner Charges	177
Special Condition 9.13 Allowances in respect of a Security Period	178
Special Condition 9.14 Restriction on the use of certain information	179
Special Condition 9.15 Appointment of a Compliance Officer	180

Special Condition 9.16 Independence of and appointment of managing director of the Transmission Business	182
Special Condition 9.17 Not used	186
Special Condition 9.18 Not used	186
Special Condition 9.19 The strategic innovation fund	186

Chapter 1: Interpretation and definitions

Special Condition 1.1 Interpretation and definitions

Introduction

1.1.1 The purpose of this condition is to provide for the special conditions of this licence:

- (a) some provisions of general interpretation; and
- (b) the meaning of the defined terms, which are capitalised throughout the special conditions.

Part A: Interpretation

1.1.2 Wherever the subscript 't' is used, without further numerical notation, the value to be used is the one for the Regulatory Year in question.

1.1.3 A positive or negative numerical notation indicates that the value to be used is for a year after or before the Regulatory Year in question and the number indicates how many years after or before.

1.1.4 In some cases, other subscripts may also be used to denote the value for a specific Regulatory Year and are noted in those special conditions.

1.1.5 Any values derived by reference to the value of revenues accrued, received or paid by or to the licensee shall be the actual sum accrued, received or paid by or to the licensee on the date of such accrual, receipt or payment without any adjustment for inflation or interest after deduction of value added tax (if any) and any other taxes charged directly by reference to the amounts so accrued, received or paid.

1.1.6 Any reference in these special conditions to:

- (a) a provision thereof;
- (b) a provision of the standard conditions of electricity transmission licences;
- (c) a provision of the standard conditions of electricity supply licences;
- (d) a provision of the standard conditions of electricity distribution licences;
- (e) a provision of the standard conditions of electricity generation licences;
- (f) a provision of the standard conditions of electricity interconnector licences

must, if these or the standard conditions in question come to be modified, be construed, so far as the context permits as a reference to the corresponding provision of these or the standard conditions in question as modified.

1.1.7 Any reference in these special conditions to a numbered appendix is, unless otherwise stated, to the relevant numbered appendix to that special condition.

- 1.1.8 Unless otherwise stated, any reference in these special conditions to the Authority giving a direction, consent, derogation, approval or designation includes:
- (a) giving it to such extent, for such period of time, and subject to such conditions, as the Authority thinks reasonable in all the circumstances of the case; and
 - (b) revoking or amending it after consulting the licensee.
- 1.1.9 Unless otherwise stated, any reference in these special conditions to the Authority making a determination includes making it subject to such conditions as the Authority thinks reasonable in all the circumstances of the case.
- 1.1.10 Any direction, consent, derogation, approval, designation or determination by the Authority will be given or made in writing.
- 1.1.11 Where these special conditions provide for the Authority to issue or amend a document by direction, the steps required to achieve this may be satisfied by action taken before, as well as by action taken on or after, 1 April 2021.
- 1.1.12 Any monetary values in these special conditions are in sterling in a 2018/19 price base unless otherwise indicated.
- 1.1.13 The price base for each PCFM Variable Value is denoted in the ET2 Price Control Financial Model "Input" sheet. Where a PCFM Variable Value is listed as a "£m nominal" value, the ET2 Price Control Financial Model will convert these values in accordance with Part F of Special Condition 2.1 (Revenue restriction), so that the component terms of Calculated Revenue are in a 2018/19 price base.

Part B: Definitions

- 1.1.14 In these special conditions the following defined terms have the meanings given in the table below.
- 1.1.15 Where these special conditions state that the outputs, delivery dates and allowances for a Price Control Deliverable are located in another document, the following defined terms also have the meanings given in the table below in that document.
- 1.1.16 Where the table below states that a defined term has the meaning given to it by:
- (a) another condition of this licence;
 - (b) the ET2 Price Control Financial Instruments;
 - (c) the RIGs;
 - (d) an Associated Document; or
 - (e) the CUSC

the defined term is to have the meaning given in that provision or document as amended from time to time.

Access Agreement	means a formal agreement between the licensee and a community group in the form of a lease or other agreement depending on the site and what is legally permitted by wayleaves.
Access Reform Change	means the changes to industry codes are made to implement the outcome of the Authority's access and charging reform significant code review launched in December 2018.
the Act	means the Electricity Act 1989.
Actual Corporation Tax Liability	means the value as shown in the licensee's company tax return (CT600) as submitted to Her Majesty's Revenue and Customs relating to the licensee.
Affiliate	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Allowed Revenue	is the amount the licensee should aim to recover through its Network Charges, derived in accordance with the formula in Part C of Special Condition 2.1 (Revenue restriction).
Allowed Security Costs	means any cost allowed by the Authority (upon receipt of such information, including a certificate from the auditors, as the Authority may request) as being a cost which is directly attributable to any action taken or omitted to be taken by the licensee in its capacity as holder of the license for the purpose of complying with directions issued by the Secretary of State under section 34(4) of the Act.
Annual Environmental Report	means a document prepared and published by the licensee in accordance with Part A of Special Condition 9.1 (Annual Environmental Report).
Annual Iteration Process	means in relation to the ET2 Price Control Financial Model, the process set out in Special Condition 8.2 (Annual Iteration Process for the ET2 Price Control Financial Model), which is to be read and given effect subject to any further applicable explanation or elaboration within the ET2 Price Control Financial Handbook.
Appropriate Auditor	means: (a) in the case of a licensee which is a company within the meaning of section 1 of the Companies Act 2006, a person appointed as auditor under Chapter 2 of Part 16 of that Act; (b) in the case of any other licensee which is required by the law of a country or territory within the European Economic Area to appoint an auditor under provisions analogous to Chapter 2 of Part 16 of the Companies Act 2006, a person so appointed; and (c) in any other case, a person who is eligible for appointment as a company auditor under sections 1212 and 1216 of the Companies Act 2006.

Appropriate Time	means three months, or such shorter period as the Authority may approve in respect of any person or class of persons.
Appropriately Qualified Independent Examiner	means a qualified tax accountant from a firm regulated by a relevant professional body, who may be an employee of the licensee's Appropriate Auditors.
ASCR	means aluminium conductor steel-reinforced cable
AAAC	means all aluminium alloy conductor.
Asset Data	means the data on the condition, location, operating environment, function, duty, and other relevant characteristics of NARM Assets, which is necessary for the calculation of Monetised Risk.
Asset Intervention	means a deliberate action, on the part of the licensee, that improves or maintains the Monetised Risk of an asset or group of assets.
Asset Management Systems	means the set of interrelated and interacting elements, including those IT systems used for the collecting, storing and interrogating of Asset Data, that the licensee has in place to establish its asset management policy and asset management objectives and the processes needed to achieve those objectives.
Asset Risk	means the estimated average expected impact of a Network Asset with given characteristics (such as those referred to in the definition of Asset Data) failing over a given time period, so that when scaled up to a sufficiently large population of identical Network Assets, the sum of the individual Asset Risks will equate to the total expected impact of asset failure for the population over the same time period.
Associate	means: <ul style="list-style-type: none"> (a) an Affiliate or Related Undertaking of the licensee; (b) an Ultimate Controller of the licensee; (c) a Participating Owner of the licensee; and (d) a Common Control Company.
Associated Document	means a document issued and amended by the Authority by direction in accordance with the special conditions of this licence and any reference to an Associated Document is to that document as amended from time to time unless otherwise specified.
the Authority	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Authority's Website	means www.ofgem.gov.uk .
Base Transmission Revenue	means the revenue calculated in accordance with the formula set out in Part C of Special Condition 3A (Restriction of Transmission Network Revenue) of this licence as in force on 31 March 2021.
Baseline Allowed NARM Expenditure	means the allowed expenditure associated with the Baseline Network Risk Outputs as set out in Appendix 1 to Special Condition 3.1 (Baseline Network Risk Outputs).

Baseline Network Risk Outputs	means the cumulative total, for a given risk sub-category, of Network Risk Outputs for all items allocated to 'NARM Funding Category A1' in the licensee's Network Asset Risk Workbook.
Basic PCD Report	has the meaning given to that term in the PCD Reporting Requirements and Methodology Document.
Bay Assets	means switchgear at various transmission and distribution voltages which is used for controlled switching and operations of the network but is not used to break fault current and commonly includes, earth switches, disconnectors (isolators) of various designs and surge arrestors.
Between	in the context of something being done, or occurring, between two dates, means on or after the first date and on or before the second date.
Biodiversity Enhancement	means achieving greater than 105% of the Biodiversity Unit baseline at the site.
Biodiversity Net Gain	means a measurable net improvement in the Biodiversity Units for a defined area of land compared to the baseline measure of Biodiversity Units before intervention by the licensee.
Biodiversity Unit	means a nominal figure that represents the distinctiveness, condition and size of a habitat.
Black Start Project	means a project to aid local, regional or national restoration of power following a loss of supply.
Black Start Standard	means a publication from government which sets out the procedure used to restore power in the event of a total or partial shutdown of the National Electricity Transmission System.
Boundary Reinforcement Project	means a project which will uplift the Boundary Transfer Capability across one or more specific transmission circuits.
Boundary Transfer Capability	means the maximum amount of power flow across specific transmission circuits following the most onerous secured event of a fault outage without exceeding the thermal rating of any asset forming part of the National Electricity Transmission System, without any unacceptable voltage conditions or insufficient voltage performance and without any transient or dynamic instability of the electrical plant, equipment and systems directly or indirectly connected to the National Electricity Transmission System.
Business Plan	means a plan of the sort that the licensee was invited to submit by paragraph 2.25 of the document titled 'RIIO-2 Sector Specific Methodology – Core document', published by the Authority on 24 May 2019.
CAF Outcomes	means the outcomes set out under the cyber security and resilience principles set out in the document titled 'CAF Guidance', version 3.0, published by the National Cyber Security Centre on 30 September 2019 as amended from time to time.

Caithness Moray HVDC Link	<p>means the high voltage electric lines and electrical plant which comprise the following components:</p> <p>(a) a high voltage direct current cable, the sole purpose of which is to transmit electricity between converter stations at Spittal and Blackhillock, both within the area specified in the Electricity Act 1989 (Uniform Prices in the North of Scotland) Order 2005 made on 1 April 2005, via an onshore and subsea corridor route of which extends, in part, outside of Great Britain, within the territorial sea adjacent to Great Britain, any Renewable Energy Zone, or an area designated under section 1(7) of the Continental Shelf Act 1964;</p> <p>(b) those converter stations at either end of the high voltage direct current cable described in paragraph (a) above to facilitate the conversion of power from direct current in the high voltage direct current cable to alternating current in the National Electricity Transmission System; and</p> <p>(c) cables to connect each converter station described in paragraph (b) above to substations at Spittal and Blackhillock, and that does not transmit electricity for the purposes of offshore transmission as defined in the Act.</p>
Calculated Revenue	has the value given to it in Part E of Special Condition 2.1 (Revenue restriction)
Calculated Tax Allowance	means the value of the TAX _t term as set out in the "Revenue" sheet of the ET2 Price Control Financial Model.
CAM Activity	means an output, activity or deliverable that the licensee is applying to reallocate under Special Condition 3.8 (Coordinated adjustment mechanism Re-opener).
Capital Construction	means any project that falls under the licensee's capital delivery arm
Carry-over Network Innovation Allowance	means the allowance provided by Special Condition 5.3 (Carry-over Network Innovation Allowance) to extend the RIIO-1 Network Innovation Allowance for an additional Regulatory Year.
Civil Related Works	means interventions on existing substation civil structures which are considered by the licensee and Authority to be in a condition warranting intervention, including roof, building, asset structures, new roads and replacements, vehicular and pedestrian trench crossings in substations and environmental (drainage and oil containment issues on substations).
CO ₂ e	means carbon dioxide equivalent.
Commercial Customer	means any person who is supplied or required to be supplied with electricity and is not a Domestic Customer.
Common Control Company	has the meaning given to that term in Standard Condition B7 (Availability of Resources).
Competent Authority	means the Secretary of State, the Authority, the Compliance Officer, the London stock exchange, the Panel on Take-overs and Mergers, or any local or national agency, regulatory body, authority,

	department, inspectorate, minister (including Scottish Ministers), ministry, official or public or statutory person (whether autonomous or not) of, or of the government of Scotland, the United Kingdom, the United States of America or the European Union.
Compliance Certificate	means a certificate to certify that to the best of the Single Appointed Director's knowledge, information and belief, having made due and careful enquiry, the report of the Compliance Officer fairly represents the licensee's compliance with the Specified Duties.
Compliance Committee	means a sub-committee of the board of the licensee, for the purpose of overseeing and ensuring the performance of the duties and tasks of the Compliance Officer and the compliance of the licensee with its Specified Duties.
Compliance Officer	means a person appointed by the licensee for the purpose of facilitating compliance by the licensee with its Relevant Duties.
Compliance Report	means an annual report provided by the licensee to the Authority which demonstrates its compliance with the Relevant Duties during the period since the last Compliance Report and its implementation of the practices, procedures and systems adopted in accordance with the Compliance Statement.
Compliance Statement	means a statement provided by the licensee to the Authority describing the practices, procedures and systems by which the licensee will secure compliance with the Relevant Duties.
Confidential Information	means any information, which is commercially sensitive, and relates to or derives from the management or operation of the Transmission Business.
Connection Entry Capacity	has the meaning given to that term in the CUSC.
Consumer Prices Index Including Owner Occupiers' Housing Costs	means the monthly values of the "CPIH All Items", series ID "L522", published by the Office for National Statistics (or any other public body acquiring its functions).
Cost And Output Adjusting Event	means: <ul style="list-style-type: none"> (a) an Extreme Weather Event; (b) the imposition of additional terms or conditions of any statutory consent, approval or permission (including but not limited to planning consent); (c) unforeseen ground or sea-bed conditions; and (d) for the purposes of a particular LOTI Output, any event that the Authority directs is a Cost And Output Adjusting Event in the Project Assessment Direction.
Cost-Benefit Analysis	means any analysis that considers, as appropriate, both the tangible costs (for example, the cost of replacement) and intangible

	costs (for example, costs associated with injury or loss of life) associated with, and benefits delivered by, an investment option or range of options.
Critical National Infrastructure	means those critical elements of infrastructure (namely assets, facilities, systems, networks or processes and the essential workers that operate and facilitate them), the loss or compromise of which could result in: (a) major detrimental impact on the availability, integrity or delivery of essential services - including those services whose integrity, if compromised, could result in significant loss of life or casualties - taking into account significant economic or social impacts; or (b) significant impact on national security, national defence, or the functioning of the state.
Cruachan Transmission Line	means the double circuit 275kV transmission line extending from the Cruachan Station Works, to the Dalmally Switching Station and thereafter to the Windyhill Substation together with all lattice Towers, conductors, insulators, associated cables and connections, and all other items of plant or equipment making up or supporting said transmission line, with the benefit, subject to the applicable conditions therein, of all wayleaves or servitude rights relating thereto and where any expressions used in this definition are defined in a transfer scheme, the expressions shall have the same meaning as in the transfer scheme.
Current Monetised Risk	means the Monetised Risk of an existing asset or group of assets, based on the most recently gathered or derived Asset Data.
CUSC	has the meaning given to that term in Standard Condition C1 (Interpretation of Section C).
CVP	means the consumer value propositions which were submitted by the licensee in its Business Plan and accepted by the Authority in its RIIO-2 Final Determinations.
CVP Full Delivery	means the delivery as a minimum of the CVP Outputs for each CVP set out in Appendix 1 to Special Condition 4.8 (Consumer value proposition) by 31 March 2026.
CVP Output	means the outputs set out in Appendix 1 to Special Condition 4.8 (Consumer value propositions)
CVP Reward	means the values set out in Appendix 1 to Special Condition 4.8 (Consumer value propositions)
Cyber Resilience IT Baseline Allowances Table	means the table of that name in the document identified in Appendix 1 to Special Condition 3.3 (Cyber resilience information technology Re-opener and Price Control Deliverable) by its title and publication date.
Cyber Resilience IT PCD Table	means the table of that name in the document identified in Appendix 2 to Special Condition 3.3 (Cyber resilience information technology Re-opener and Price Control Deliverable) by its title and publication date.

Cyber Resilience IT Plan	means a plan of the sort that the licensee was invited to submit at bullet point 1 of paragraph 6.99 of the document titled 'RIIO-2 Sector Specific Methodology – Core document', published by the Authority on 24 May 2019.
Cyber Resilience OT Baseline Allowances Table	means the table of that name in the document identified in Appendix 1 to Special Condition 3.2 (Cyber resilience operational technology Re-opener, Price Control Deliverable and use it or lose it allowance) by its title and publication date.
Cyber Resilience OT PCD Table	means the table of that name in the document identified in Appendix 2 to Special Condition 3.2 (Cyber resilience operational technology Re-opener, Price Control Deliverable and use it or lose it allowance) by its title and publication date
Cyber Resilience OT Plan	means a plan of the sort that the licensee was invited to submit at bullet point 2 of paragraph 6.99 of the document titled 'RIIO-2 Sector Specific Methodology – Core document', published by the Authority on 24 May 2019.
Data Best Practice Guidance	means the guidance document issued by the Authority in accordance with Part D of Special Condition 9.5 (Digitalisation).
Demand Connection	means the transmission infrastructure works required to connect new demand capacity to the National Electricity Transmission System.
Demand Connection Capacity	means the incremental increase in offtake capacity at grid exit points, in MVA, associated with single or multiple new Demand Connections as specified in a relevant agreement between the licensee and the System Operator pursuant to the STC.
Designated Areas	means areas that have a statutory designation as a 'national park' or 'area of outstanding natural beauty' under the National Parks and Access to the Countryside Act 1949 and areas that have a statutory designation as a 'national scenic area' under the Town and Country Planning (Scotland) Act 1997.
Digitalisation Action Plan	means a document prepared and published by the licensee in accordance with Part B of Special Condition 9.5 (Digitalisation).
Digitalisation Strategy	means a document prepared and published by the licensee in accordance with Part A of Special Condition 9.5 (Digitalisation).
Directly Attributable Costs	means costs relating to the maintenance and management of intellectual property generated through Eligible NIC Projects (whether undertaken by the licensee or any other Transmission Licensee and Electricity Distribution Licensees), that have not been otherwise funded through Network Charges or services under Special Condition 8B (Services treated as Excluded Services) of this licence as in force on 31 March 2021 or the NIC Funding Mechanism.

Directly Remunerated Services	has the meaning given to that term in Part A of Special Condition 9.7 (Directly Remunerated Services).
Disallowed Expenditure	means revenue received (whether by the licensee or any other Transmission Licensee or Electricity Distribution Licensees) under the NIC Funding Mechanism, that the Authority determines has not been spent in accordance with the applicable provisions of the NIC Governance Document or the terms of the relevant Project Direction.
Disapplication Date	means the date proposed by the licensee under a Disapplication Request on and after which the specified Relevant Special Conditions (or any part or parts of them) would cease to have effect.
Disapplication Notice	means the notice under Special Condition 9.6 (Disapplication of Relevant Special Conditions) that terminates the application of the Relevant Special Conditions (or any part or parts of them) specified in that request.
Disapplication Request	means a request under Special Condition 9.6 (Disapplication of Relevant Special Conditions) to consent to the disapplication of the Relevant Special Conditions (in whole or in part).
Distribution Licence	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Distribution System	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Domestic Customer	means any person who is supplied or requires to be supplied with electricity at premises at which a supply of electricity is taken wholly or mainly for domestic purposes (but excludes such person insofar as he is supplied or required to be supplied at premises at which supply is taken for non-domestic purposes).
DSAP Guidance	means the guidance document issued by the Authority in accordance with Part C of Special Condition 9.5 (Digitalisation).
Electricity Arbitration Association	means the unincorporated members' club of that name formed inter alia to promote the efficient and economic operation of the procedure for the resolution of disputes within the electricity supply industry by means of arbitration or otherwise in accordance with its arbitration rules.
Electricity Distribution Licensee	means the holder of a licence granted or treated as granted under section 6(1)(c) of the Act.
Eligible CNIA	means the amount of expenditure spent or accrued by the licensee in respect of Eligible CNIA Projects.
Eligible CNIA Internal Expenditure	means the amount of Eligible CNIA spent or accrued on the internal resources of the licensee.

Eligible CNIA Projects	means RIIO-1 Network Innovation Allowance projects on which work commenced prior to 31 March 2021, pursuant to the requirements of the RIIO-1 NIA Governance Document.
Eligible NIC Project	means a project undertaken by the licensee or any other Transmission Licensee that appears to the Authority to satisfy such requirements of the NIC Governance Document as are necessary to enable the project to be funded under the NIC Funding Mechanism.
Energy System Data	has the meaning given to that term in the Data Best Practice Guidance.
Enhanced Environmental Requirements Evaluation Report	means the report that meets the criteria under Part B of Special Condition 3.19 (Enhanced Environmental Requirements use it or lose it allowance).
Enhancing Pre-existing Infrastructure Project	means a project that has been approved by the Authority prior to 31 March 2021 to reduce the impact of the assets forming part of the licensee's Transmission System on the visual amenity of Designated Areas.
ENS Compensatory Payment Methodology	means the methodology that the licensee is required to publish and maintain pursuant to Part B of Special Condition 6.2 (Energy not supplied compensatory scheme pass-through).
ENS Exceptional Event	for the purposes of Special Condition 4.2 (Energy Not Supplied output delivery incentive) means an event or circumstance that is beyond the reasonable control of the licensee and which results in or causes electricity not to be supplied to a customer and includes: an act of the public enemy, war declared or undeclared, threat of war, terrorist act, revolution, riot, insurrection, civil commotion, public demonstration, sabotage, act of vandalism, fire (not related to weather), any severe weather event resulting in more than 7 faults being recorded by the licensee on the licensee's Transmission System in any 24-hour period, System Operator-Requested Load Shedding; governmental restraint, Act of Parliament, any other legislation, bye law, directive or decision of a court or Competent Authority or any other body having jurisdiction over the activities of the licensee provided that lack of funds will not be interpreted as a cause beyond the reasonable control of the licensee.
ENS Incentive Methodology Statement	means a document that sets out the methodology the licensee will use to calculate the volume of energy not supplied arising from each Incentivised Loss of Supply Event.
Environmental Action Plan	means the document of that name that the licensee submitted as part of its Business Plan.
Environmental Action Plan Commitments	means the actions and initiatives that the licensee proposed in their Environmental Action Plan to undertake over the course of the Price Control Period.

Environmental Discretionary Reward Scheme	means the RIIO-ET1 scheme of that name.
Environmental Discretionary Reward Scheme Guidance	means the document of that name maintained by the Authority in accordance with Special Condition 7.7 (Close out of the RIIO-ET1 adjustment in respect of the Environmental Discretionary Reward Scheme).
Environmental Net Gain	means achieving Biodiversity Net Gain first and going further to achieve net increases in the capacity of affected natural capital to deliver ecosystem services.
Environmental Reporting Guidance	means the document of that name issued by the Authority in accordance with Part B of Special Condition 9.1 (Annual Environmental Report).
Environmental Value	means a measure of the level of biodiversity and the value of the ecosystem services from the natural capital assets associated with a particular land area.
Equally Challenging	means presenting equal or higher challenge to the licensee compared to the Baseline Network Risk Outputs, where challenge relates to the scope for a licensee to over-deliver by carrying out the same volume of interventions but selecting different assets for intervention from those assumed in the setting of the Baseline Network Risk Outputs.
ET1 Price Control Financial Model	has the meaning given to that term in Special Condition 1A (Definitions and Interpretation) of this licence as in force on 31 March 2021.
ET2 Price Control Financial Handbook	means the document of that name that was first published by the Authority to come into effect on 1 April 2021 and includes specific information and advice about the operation of the Annual Iteration Process and the ET2 Price Control Financial Model, as modified from time to time in accordance with the provisions of Special Condition 8.1 (Governance of the ET2 Price Control Financial Instruments).
ET2 Price Control Financial Instruments	means the ET2 Price Control Financial Handbook and the ET2 Price Control Financial Model.
ET2 Price Control Financial Model	means the model of that name (with a suffix referring to the month of November in Regulatory Year t-1) that was first published by the Authority to come into effect on 1 April 2021: <ul style="list-style-type: none"> (a) that is represented by a workbook in Microsoft Excel® format maintained under that name (with a Regulatory Year suffix) on the Authority's Website; and (b) that the Authority will use to determine the value of the term AR_t through the application of the Annual Iteration Process as modified from time to time in accordance with the provisions of Special Condition 8.1 (Governance of the ET2 Price Control Financial Instruments).

ET2 Price Control Financial Model Working Group	means the working group identified in and whose terms of reference are set out in Chapter 2 of the ET2 Price Control Financial Handbook.
Evaluative PCD	means a Price Control Deliverable where the relevant licence condition states that the Authority will consider making an adjustment to allowances where an output has not been Fully Delivered.
Ex-Ante Base Revenue	has the value £329m for each Regulatory Year.
External Assurance	means a process to reflect the quality of the licensee's performance to its stakeholders used to derive the incentive term SEA _t term in accordance with the process provided for in Special Condition 3D (Stakeholder Satisfaction Output) of this licence as in force on 31 March 2021.
External Assurance Methodology	means the methodology to support the External Assurance.
External Transmission Activities	means any business of the licensee or any Affiliate or Related Undertaking of the licensee comprising or ancillary to the maintenance, repair or operation in an emergency of any electricity distribution system or any part of the National Electricity Transmission System other than the licensee's Transmission System.
Extreme Weather Event	means a weather event with worse than one in ten years probability.
Fibre Wrap Replacement	means replacement of conductor that have embedded fibre-optic communications capability that provide connections between electricity transmission assets.
Final Needs Case	means a document that sets out the licensee's final view on the need for a LOTI.
Final Statutory Planning Consultation	means the final public consultation that the licensee undertakes before submitting its primary planning application in relation to a potential LOTI.
Flooding Defence Project	means a project to improve the flooding resilience of physical assets connected to the National Electricity Transmission System in accordance with a defined standard.
Forecast Monetised Risk	means the Monetised Risk of an asset or group of assets expected to be in operation on a network in a given future scenario, based on the forecast view of Asset Data for the given scenario.
Foundations	means all the concrete, reinforcement and steel below-ground which makes up overhead line tower foundations.
Full PCD Report	has the meaning given to that term in the PCD Reporting Requirements and Methodology Document.

Fully Delivered	means where the output specified in the relevant licence condition has been delivered in full on or before the delivery date specified in that licence condition.
Funded SF6 Asset Interventions	means interventions on assets containing sulphur hexafluoride, funding for which is provided under Special Condition 3.6 (Net zero Re-opener) or Special Condition 3.14 (Medium Sized Investment Projects Re-opener and Price Control Deliverable), but does not include interventions on assets added to or decommissioned from the licensee's Transmission System for the purposes of paragraph 4.3.5 of Special Condition 4.3 (Insulation And Interruption Gas emissions output delivery incentive).
Funding Return	is the total amount, in respect of the licensee, of any amounts arising under the Funding Return Mechanism.
Funding Return Mechanism	means the mechanism that provides for the recovery from the licensee and from other electricity Transmission Licensees and Electricity Distribution Licensees, in each case to such extent (if any) as may be relevant, of: <ul style="list-style-type: none"> (a) Halted Project Revenues; (b) Disallowed Expenditure; (c) Returned Royalty Income; and (d) Returned Project Revenues.
Generation Connection	means the transmission infrastructure works required to connect new generation capacity to the National Electricity Transmission System.
Generation Connection Capacity	means: <ul style="list-style-type: none"> (a) the incremental Connection Entry Capacity, in MW, for generation connected to the National Electricity Transmission System; or (b) the incremental system capacity, in MVA, associated with single or multiple new Generation Connections as specified in the relevant agreement between the licensee and the System Operator pursuant to the STC.
Great Britain	has the meaning given under Standard Condition A1 (Definitions and interpretation).
Green Book Supplementary Guidance	means the supplementary guidance to the document titled 'UK Government Treasury's Green Book, for valuation of energy use and greenhouse gas emissions for appraisal', as from time to time amended.
Greenhouse Gas Protocol Website	means https://ghgprotocol.org/ .
Grid Code	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Halted Project Revenues	means revenues received (whether by the licensee or by any other Transmission Licensee or Electricity Distribution Licensee) under the NIC Funding Mechanism in respect of an Eligible NIC Project

	<p>which have not yet been spent or otherwise committed at the time that the Authority requires that project to be halted, in accordance with the applicable provisions of the NIC Governance Document or the terms of the relevant Project Direction.</p>
Harmonic Filtering	<p>means a measure or measures to mitigate the effects on the National Electricity Transmission System of non-standard frequencies above 50Hz.</p>
IIG Exceptional Event	<p>means an event or circumstance that is beyond the reasonable control of the licensee and results in, causes, or prohibits the timely prevention of the leakage of an Insulation And Interruption Gas and includes any event or circumstance where the risk of significant danger to the public requires the licensee to prioritise health and safety objectives over the reduction of leakage of an Insulation And Interruption Gas at a particular site.</p>
IIG Inventory	<p>means the complete list of assets on the licensee's Transmission System that contain Insulation And Interruption Gases in tonnes CO₂e.</p>
IIG Methodology Statement	<p>means the document prepared by the licensee in accordance with Part B of Special Condition 4.3 (Insulation and Interruption Gas emissions output delivery incentive).</p>
Improvement Plan	<p>means a plan of the sort that the licensee was invited to submit at bullet point 2 on page 7 of the document titled 'Ofgem Competent Authority Guidance for Downstream Gas and Electricity in Great Britain' published by the Authority on 30 November 2018.</p>
Incentivised Loss of Supply Event	<p>means any event on the licensee's Transmission System that causes energy not to be supplied to a customer, subject to the following exclusions:</p> <ul style="list-style-type: none"> (a) any energy not supplied to customers that have requested a lower standard of connection than that provided in the NETS SQSS (or such other standard of planning and operation as the Authority may approve from time to time and with which the licensee may be required to comply); (b) any energy not supplied resulting from a shortage of available generation; (c) any energy not supplied resulting from a de-energisation or disconnection of a User's equipment under an event of default as defined in the CUSC; (d) any energy not supplied resulting from a User's request for disconnection in accordance with the Grid Code; (e) any energy not supplied resulting from emergency de-energisation by a User as defined in the CUSC; (f) any energy not supplied resulting from an emergency de-energisation or disconnection of a User's equipment necessary to ensure compliance with the Electricity Safety, Quality and Continuity Regulations 2002, as amended from time to time, or otherwise to ensure public safety; and (g) any event lasting less than or equal to three minutes.

Independent Examiner	means a person nominated by and independent of the licensee with the skill and knowledge to undertake an examination.
Initial Needs Case	means a document that sets out the licensee's initial view on the need for a LOTI and, in particular, compares alternative options.
Insulation And Interruption Gas	means a gas with a global warming potential of greater than one, used within electrical switchgear and transmission assets with a suitable dielectric strength to enable use as an insulator to prevent discharge or as an interruption aid to prevent flow of current during planned or non-planned switching.
Instrument Transformer	means a single phase transformer unit that is a high accuracy class electrical device that is used to isolate or transform voltage or current levels.
Instrument Transformer Individual	means a single phase instrument transformer with a driver specific to that individual asset.
Instrument Transformer Family	means an individual or group of instrument transformers assets, which are replaced on the basis of the condition of other assets produced by the same manufacturer or of the same model. This may also include assets which are on the same circuit, but not of the same variant.
IT	means a licensee's information technology for business systems that relate to the use of computers, software, hardware and other systems and devices to perform business operations.
Key Performance Indicators	means measures to reflect the quality of the licensee's performance to its stakeholders.
Kintyre-Hunterston Transmission Line	means both the onshore and subsea 240MVA AC transmission line extending from the Crossaig substation, through the Sound of Bute and up to and including the transition joint lying within the West Kilbride Golf Course to the north of the landing in Ardneil Bay, North Ayrshire, together with all associated cables, transformers, switch gear and connections and all other plant and equipment making up or supporting that transmission line, with the benefit, subject to the applicable conditions therein, of all wayleaves or servitude rights relating thereto and where any expressions used in this definition are defined in a transfer scheme, the expressions shall have the same meaning as in such transfer scheme.
Licensed Activity	has the meaning given to the term Transmission Business Activities in Standard Condition B1 (Regulatory Accounts).
Load Shedding	means the disconnection of demand as a measure to ensure the safety and integrity of the National Electricity Transmission System.
Local Area Energy Plan	means a plan that is the product of a process: through which a range of stakeholders including other Network Licensees and local authorities agree on the optimal long-term energy solutions for an area; and

	that has been conducted in the context of enabling energy systems with net zero carbon emissions.
Long-term Monetised Risk	means the Monetised Risk measured over a defined period of time greater than one year from a given start date and equal to the cumulative Single-year Monetised Risk values over the defined period.
Loss of Supply Event	means any event on the licensee's Transmission System that causes electricity not to be supplied to a Domestic Customer or to a Commercial Customer for a period of six hours or longer, subject to the exceptions set out in the licensee's ENS Compensatory Payment Methodology.
LOTI	means the assets constituting an investment in the Transmission System, which investment: <p>(a) is expected to cost £100m or more of capital expenditure; and</p> <p>(b) is, in whole or in part, load-related.</p>
LOTI Guidance and Submissions Requirements Document	means the document of that name issued by the Authority in accordance with Special Condition 3.13 (Large onshore transmission investment Re-opener).
LOTI Output	means an output in Appendix 2 to Special Condition 3.13 (Large onshore transmission investment Re-opener).
Managing Director Of Transmission	means a person responsible for the conduct of the Transmission Business and any External Transmission Activities.
Materiality Threshold	has the value £3.36m.
Medium Sized Investment Project	means a project of the kind listed at paragraph 3.14.6 of Special Condition 3.14 (Medium Sized Investment Projects Re-opener and Price Control Deliverable).
Mitigating Pre-existing Infrastructure Policy	means the document the licensee is required to update by Part C of Special Condition 3.10 (Visual Impact Mitigation Re-opener and Price Control Deliverable and Enhancing Pre-existing Infrastructure Projects allowance).
Monetised Risk	means an estimation of Asset Risk as derived in accordance with the NARM Methodology as well as the similarly derived estimated risks associated with aggregated asset groupings, and disaggregated sub-components, as relevant.
Monetised Risk Benefit	means the risk benefit delivered or expected to be delivered by an Asset Intervention, which: <p>(a) is the difference between without intervention and with intervention Monetised Risk;</p> <p>(b) can be measured over one year or over a longer period of time;</p> <p>and</p>

	(c) includes both direct (i.e. on the asset itself) and indirect (i.e. on adjacent assets or on the wider system) Monetised Risk Benefits.
NARM Asset	means an asset specified within the NARM Methodology where its associated Monetised Risk can be estimated by applying the NARM Methodology.
NARM Asset Category	means a group of assets with similar functions and design as specified in the NARM Methodology.
NARM Handbook	means the document of that name issued by the Authority in accordance with Part C of Special Condition 3.1 (Baseline Network Risk Outputs).
NARM Methodology	means the methodology established pursuant to Special Condition 9.2 (Network Asset Risk Metric methodology).
NARM Objectives	means the objectives set out in Part B of Special Condition 9.2 (Network Asset Risk Metric methodology).
National Electricity Transmission System	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Net Zero And Re-opener Development Fund	means the use it or lose it allowance provided by Special Condition 3.5 (Net Zero And Re-opener Development Fund use it or lose it allowance).
Net Zero And Re-opener Development Fund Governance Document	means the document of that name issued by the Authority in accordance with Special Condition 3.5 (Net Zero And Re-opener Development Fund use it or lose it allowance).
Net Zero Carbon Targets	means the targets set out in: (a) section 1 of the Climate Change Act 2008; (b) section A1 of the Climate Change (Scotland) Act 2009; and (c) section 29 of the Environment (Wales) Act 2016.
Net Zero Development	means a change in circumstances related to the achievement of the Net Zero Carbon Targets that is: (a) a change in national government policy (including policies of the devolved national parliaments); (b) a change in local government policy; (c) the successful trial of new technologies or other technological advances; (d) a change in the pace or nature of the uptake of low carbon technologies; or (e) new investment arising from the agreement of a Local Area Energy Plan or an equivalent arrangement.
Net Zero Fund	for the purpose of Special Condition 5.5 (Net Zero Fund use it or lose allowance) means an allowance for the licensee to support vulnerable customers and communities and contribute to the Net Zero Carbon Targets.

NETS SQSS	means the standards that set out the criteria and methodologies for planning and operating the National Electricity Transmission System, as from time to time amended.
Network Access Policy	means the document of that name approved by the Authority under Special Condition 9.10 (Network Access Policy).
Network Asset	means the assets that collectively form the licensee's Transmission System, and includes the principal components of those assets.
Network Asset Risk Metric	means the Monetised Risk associated with a NARM Asset or the Monetised Risk Benefit associated with a NARM Asset intervention.
Network Asset Risk Workbook	means the workbook containing the licensee's Baseline Network Risk Outputs issued by the Authority in accordance with Part B of Special Condition 3.1 (Baseline Network Risk Outputs).
Network Charges	means charges levied by the licensee in respect of the provision of Transmission Network Services.
Network Licensee	means the holder of a licence granted under section 7 of the Gas Act 1986 or section 6(1)(b) or (c) of the Act
Network Risk Output	means the risk benefit delivered or expected to be delivered by an Asset Intervention and is calculated as the difference between Monetised Risk values associated with the "without intervention scenario" and the "with intervention scenario", measured over a period equal to the assumed intervention lifetime from the end of the Price Control Period, which can vary for asset category or specific assets and intervention types.
NGESO	means National Grid Electricity System Operator Limited.
NIA	means the network innovation allowance provided by Special Condition 5.2 (RIIO-2 network innovation allowance).
NIC	means the arrangements known as the network innovation competition established by Special Condition 3I (The Network Innovation Competition) of this licence as in force on 31 March 2021.
NIC Funding	means the total amount of funding authorised by the Authority for the licensee and other Transmission Licensees and Electricity Distribution Licensees, in accordance with the provisions of the NIC Governance Document, for the purpose of funding Eligible NIC Projects.
NIC Funding Mechanism	means the mechanism by which the licensee receives the amount of NIC Funding from the System Operator, less any Funding Return.
NIC Governance Document	means the document of that name maintained by the Authority in accordance with Part B of Special Condition 7.11 (RIIO-ET1 network innovation competition).
No Net Loss	means the impacts on biodiversity caused by construction are offset so that no loss remains.
No Net Loss in Biodiversity	means full mitigation of the biodiversity impacts of the portfolio project that are in the licensee's capital delivery arm.

NOA	means the Network Options Assessment required by Standard Condition C27 (The Network Options Assessment process and reporting requirements).
NOA Proceed Signal	means where the outcome of the NOA indicates that a project should continue to be progressed.
NOMs Incentive Methodology	means the document entitled "Network Output Measures (NOMs) Incentive Methodology" published by the Authority on 6 December 2018, as amended in accordance with Part B of Special Condition 7.10 (Close out of the RIIO-1 Network Outputs).
NOMs Methodology	means the methodology approved under Special Condition 2L (Methodology for Network Output Measures) of this licence as in force on 31 March 2021.
Non-intervention Risk Changes	means the factors set out in the NARM Handbook (as amended in accordance with Part B of Special Condition 3.1 (Baseline Network Risk Outputs)) that are unrelated to the licensee's Asset Interventions and impact the licensee's Outturn Network Risk Outputs.
Non-operational IT Capex	has the meaning given to that term in the RIGs.
Non-Technical Mitigation Projects	means a landscaping or environmental enhancement scheme that has been informed by stakeholder engagement, to mitigate the impact of Pre-existing Transmission Infrastructure on the visual amenity of Designated Areas.
NTMP Value	means the amount of costs for Non-Technical Mitigation Projects that is calculated in accordance with Part A of Special Condition 5.4 (Non-Technical Mitigation Projects allowance).
Offshore Transmission Licence	means a transmission licence held by an Offshore Transmission Owner.
Offshore Transmission Owner	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Operational Load Management Scheme Project	means a project which will deploy an overarching control system to ensure relevant transmission assets are not overloaded.
Operational Performance	is a measure of returns which includes totex and output delivery incentive performance but excludes performance on debt, tax, and the business plan incentive. It also excludes the baseline allowed return on equity.
OT	means a licensee's operational technology and information systems that monitor and control physical devices and processes of operations which relate to electricity transmission.

Outage Changes	means a change to the outage plan notified to the licensee by the System Operator on or after week 49, as updated from time to time in accordance with the procedures set out in the STC.
Outturn Network Risk Outputs	means the Monetised Risk Benefit delivered during the Price Control Period through the licensee's Asset Interventions and derived so as to give a fair and accurate reflection of the licensee's delivery when compared against Baseline Network Risk Outputs as part of the Authority's assessment of the licensee's overall delivery of its Baseline Network Risk Outputs.
Overhead Line Conductor	means all conductor strung on overhead line Towers.
Participating Owner	has the meaning given to that term in Standard Condition B7 (Availability of Resources).
Partner Licensee	means a Network Licensee that has agreed to accept or transfer responsibility for a CAM Activity.
PCD Reporting Requirements and Methodology Document	means the document of that name issued by the Authority in accordance with Part B of Special Condition 9.3 (Price Control Deliverable Reporting Requirements and Methodology Document).
PCFM Guidance	means the guidance document issued by the Authority in accordance with Part E of Special Condition 8.2 (Annual Iteration Process for the ET2 Price Control Financial Model).
PCFM Variable Values	means the values in the table of that name in the ET2 Price Control Financial Handbook.
Pension Scheme Established Deficit	means the difference between assets and liabilities, determined at any point in time, attributable to pensionable service up to the end of the 31 March 2012 and relating to the Transmission Business under the Authority's Price Control Pension Principles. The term applies equally if there is a subsequent surplus.
Physical Security Upgrade Programme	means physical security investment at Critical National Infrastructure sites as mandated by government.
Pre-Construction Funding	means the funding required to complete Pre-Construction Works on a potential LOTI project.
Pre-Construction Works	means: <ul style="list-style-type: none"> (a) surveys, assessments and studies; (b) project design; (c) engineering development; (d) stakeholder engagement and consultation; (e) tasks associated with wayleaves; (f) planning applications; and (g) tender activities

	undertaken for the purposes of developing a LOTI to the point where all material planning consents have been obtained and the project is ready to begin construction.
Pre-existing Transmission Infrastructure	means transmission infrastructure assets forming part of the licensee's Transmission System on 1 April 2013.
Prescribed Rates	means: (a) business rates in England and Wales; and (b) non-domestic rates in Scotland or any equivalent tax or duty replacing those rates that is levied on the licensee in respect of its Licensed Activity.
Price Control Deliverable	means the outputs, delivery dates and associated allowances in Special Conditions 3.2 to 3.4, 3.9, 3.10, 3.14, 3.15, 3.17, 3.18 and 3.29.
Price Control Pension Principles	means the principles set out in the Authority's guidance note on price control pension principles issued as Appendix 3 to the decision letter, 'Decision on the Authority's policy for funding Pension Scheme Established Deficits' dated 7 April 2017.
Price Control Period	means the period of five Regulatory Years commencing on 1 April 2021.
Project Assessment Direction	means a direction by the Authority, following a submission from the licensee justifying its costs for delivering a LOTI, specifying a LOTI Output, delivery date and associated allowances.
Project Direction	means a direction issued by the Authority pursuant to the NIC Governance Document setting out the terms to be followed in relation to an Eligible NIC Project as a condition of its funding under the NIC Funding Mechanism.
Protection and Control	means light current equipment used to identify and rectify faults and provide interface to enable switching on the network.
PSUP Solution	means the site physical security upgrade specified by the government.
Qualifying Project	means a network development project that affects the local environment that has either: (a) passed through and been granted external planning approval; or (b) passed through the licensee's internal decision making stage 'network development process gate C'.
RAV	means regulatory asset value.
Rebased Baseline Network Risk Outputs	means a Baseline Network Risk Outputs that has been revised to give effect to a modified NARM Methodology as approved under paragraph 9.2.9 of Special Condition 9.2 (Network Asset Risk Metric methodology) pending the Authority's approval. If approved by the Authority, the Rebased Baseline Network Risk Outputs will supersede the Baseline Network Risk Outputs for the purposes of Special Condition 3.1 (Baseline Network Risk Outputs).

Rebasing	means the process of modifying the Baseline Network Risk Outputs as set out in Part C of Special Condition 3.1 (Baseline Network Risk Outputs).
Recovered Revenue	has the meaning given to that term in Part B of Special Condition 2.1 (Revenue restriction).
Regulatory Year	means a period of twelve months commencing on 1 April at 05:00 and ending on the following 1 April immediately before 05:00.
Related Undertaking	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Relevant Duties	means the obligations set out in Special Condition 9.14 (Restriction on the use of certain information).
Relevant Other Competitive Businesses	means the business of: <ul style="list-style-type: none"> (a) participating in, or intending to participate in, a competitive tender exercise to determine a person to whom an offshore Transmission Licence is to be granted; (b) an Offshore Transmission Owner; (c) undertaking carbon capture and storage activities; or (d) owning or operating an entity participating in, or intending to participate in, activities which require a licence under section 6(1)(e) of the Electricity Act 1989.
Relevant Special Condition	means Special Condition 2.1 (Revenue restriction), together with such of the Special Conditions of this licence as are ancillary to the operation of the provisions of Special Condition 2.1 to which a Disapplication Request under Special Condition 9.6 (Disapplication of Relevant Special Conditions) relates.
Relevant Valuation Agency	means: <ul style="list-style-type: none"> (a) the Valuation Office Agency in England and Wales; and (b) the Scottish Assessors Association in Scotland
Renewable Energy Zone	has the meaning given to that term by Standard Condition A1 (Definitions and interpretation).
Re-opener	means the mechanisms created by: <ul style="list-style-type: none"> (a) Special Conditions 3.6 to 3.8, 3.13 and 3.16; and (b) Parts C, D and E of Special Condition 3.2 (Cyber resilience operational technology Re-opener, Price Control Deliverable and use it or lose it adjustment), Parts C, D and E of Special Condition 3.3 (Cyber resilience information technology Re-opener and Price Control Deliverable), Parts C and D of Special Condition 3.4 (Physical security Re-opener and Price Control Deliverable), Part D of Special Condition 3.10 (Visual Impact Mitigation Re-opener and Price Control Deliverable and Enhancing Pre-existing Infrastructure Projects allowance), Part C of Special Condition 3.14 (Medium Sized Investment Projects Re-opener and Price Control Deliverable), Part C of Special Condition 3.15 (Pre-Construction Funding Re-opener and Price Control Deliverable), and Part C of Special Condition 3.29 (Uncertain non-load related projects Re-opener and Price Control Deliverable).

Re-opener Guidance and Application Requirements Document	means the document of that name issued by the Authority in accordance with Part B of Special Condition 9.4 (Re-opener Guidance and Application Requirements Document).
Retail Prices Index	means the monthly values of the “RPI All Items Index”, series ID “CHAW”, published by the Office for National Statistics (or any other public body acquiring its functions).
Returned Project Revenues	means: (a) revenues received by the licensee from the System Operator under the NIC Funding Mechanism in respect of an Eligible NIC Project that the Authority determines have not been spent, and where that Eligible NIC Project has been carried out in accordance with the applicable provisions of the NIC Governance Document or the terms of the relevant Project Direction; and (b) revenues earned from Eligible NIC Projects by the licensee other than Returned Royal Income.
Returned Royalty Income	means revenue earned from intellectual property generated through Eligible NIC Projects (whether undertaken by the licensee or any other electricity Transmission Licensee and Electricity Distribution Licensees), less Directly Attributable Costs, that is payable to customers under the NIC Funding Mechanism, as calculated in accordance with the provisions of the NIC Governance Document.
RIGs	means the document published by the Authority in accordance with Standard Condition B15 (Regulatory Instructions and Guidance).
RIIO-1 Justified Material Over-delivery	means the delivery of a higher level of risk mitigation than a RIIO-1 Network Output or RIIO-1 Materially Equivalent Output, where that higher level of risk mitigation delivery is justified in accordance with the RIIO-1 NOMs Principles.
RIIO-1 Justified Material Under-delivery	means the delivery of a lower level of risk mitigation than a RIIO-1 Network Output or RIIO-1 Materially Equivalent Output, where that lower level of risk mitigation delivery is justified in accordance with the RIIO-1 NOMs Principles.
RIIO-1 Materially Equivalent Output	means an equivalent level of risk to a RIIO-1 Network Output.
RIIO-1 Network Innovation Allowance	means the arrangements established by Special Condition 3H (The Network Innovation Allowance) of this licence as in force on 31 March 2021.
RIIO-1 Network Output	means the network replacement outputs as set out in Table 1 of Special Condition 2M (Specification of Network Replacement Outputs) of this licence as in force on 31 March 2021.
RIIO-1 NIA Governance Document	means the document issued by the Authority in accordance with Part E of Special Condition 3H (The Network Innovation Allowance) as in force on 31 March 2021.

RIIO-1 NOMs Principles	means the principles set out in Chapter 2 of the document entitled “Network Output Measures (NOMs) Incentive Methodology” published by the Authority on 6 December 2018.
RIIO-2 Final Determinations	means the documents published by the Authority on 8 December 2020 setting out the Authority's decisions in relation to the Price Control Period.
RIIO-2 NIA Governance Document	means the document issued by the Authority in accordance with Part B of Special Condition 5.2 (RIIO-2 network innovation allowance).
RIIO-2 NIA Projects	means those projects undertaken by the licensee that appear to the Authority to satisfy such requirements of the RIIO-2 NIA Governance Document as are necessary to enable the projects to be funded under the provisions of Special Condition 5.2 (RIIO-2 network innovation allowance).
RIIO-ET1	means the price control that applied to the licensee for the period of eight years beginning on 1 April 2013.
RIIO-ET2	means the price control that applies to the licensee for the period of five years beginning on 1 April 2021.
RIIO-ET2 Business Plan Data Template	means the document of that name submitted by the licensee to the Authority on 9 December 2019.
RPEs	means Real Price Effects as defined in Appendix 1 to the ET2 Price Control Financial Handbook.
Security Period	means a period commencing on the date on which any direction issued by the Secretary of State under section 34(4) of the Act enters effect and terminating on the date (being not earlier than the date such direction, as varied, is revoked or expires) as the Authority, after consultation with such persons (including, without limitation, licence holders liable to be principally affected) as it shall consider appropriate, may with the consent of the Secretary of State by notice to all licence holders determine.
Senior Accounting Officer	has the meaning given to that term in Schedule 46 to the Finance Act 2009, as amended from time to time.
SF6 Alternative Gas	means an Insulation and Interruption Gas, but does not include sulphur hexafluoride.
Shared Services	means shared corporate services as specified in the Compliance Statement.
Single Appointed Director	means a member of the managerial board for the licensee, for the purpose of ensuring the performance of, and overseeing the duties and tasks of, the Compliance Officer and the licensee's compliance with the Specified Duties.
Single-year Monetised Risk	means the Monetised Risk measured over a given one-year time period.

SONIA	means the daily values of the sterling overnight index average, series ID "IUDSOIA", published by the Bank of England (or any other public body acquiring its functions).
SO-TO Optimisation Governance Document	means the document issued by the Authority under Part B of Special Condition 4.7 (SO-TO optimisation output delivery incentive).
SO-TO Optimisation Report	means a document prepared and published by the licensee in accordance with Part C of Special Condition 4.7 (SOTO optimisation output delivery incentive).
SO-TO Optimisation Solutions	has the meaning given to that term in the SO-TO Optimisation Governance Document.
Stakeholder Engagement Reward	means the reward provided for in Part B of Special Condition 3D (Stakeholder Satisfaction Output) of this licence as in force on 31 March 2021.
Stakeholder Engagement Reward Guidance	means the document of that name maintained by the Authority in accordance with Part C of Special Condition 7.6 (Close out of the RIIO-ET1 stakeholder satisfaction output).
Statement of Transmission Owner Charges	means a statement which the licensee must have in place by virtue of Special Condition 9.12 (Basis of Transmission Owner Charges).
STC	has the meaning given to that term by Standard Condition A1 (Definitions and interpretation).
STCP11.4 Enhanced Service Provision	means the provision of that name that is published on the NGENSO's website https://www.nationalgrideso.com/ .
Subsea Cable	means components of circuits in the licensee's Transmission System that are installed in the sea, ocean or other large body of water.
Subsea Cable Fault	means when a Subsea Cable cannot be operated in accordance with the circuit design specification due to the loss of or damage to that Subsea Cable.
Subsea Cable Repair	means the remedial works that a licensee undertakes to repair or replace a Subsea Cable that cannot be operated in accordance with the circuit design specification due to the loss of or damage to that Subsea Cable.
Successful Delivery Reward	has the meaning given to that term by the NIC Governance Document.
System Operator	has the meaning given to that term by Standard Condition A1 (Definitions and interpretation).
System Operator Functions	means the activities of the licensee pursuant to the obligations under Section C (System Operator Standard Conditions) of this licence, for which there are no equivalent obligations under Section

	D (Transmission Owner Standard Conditions) or Section E (Offshore Transmission Owner Standard Conditions), of the standard conditions contained in a Transmission Licence.
System Operator- Requested Load Shedding	means a request by the System Operator for the licensee to reduce demand on its Transmission System through the deliberate staged disconnection of customers, where network conditions leading to the request were not attributable to any error, action or inaction on the licensee's part.
T/CO ₂ e	means tonnes of carbon dioxide equivalent emissions.
Tax Reconciliation	means the reconciliation between the licensee's Calculated Tax Allowance and its Actual Corporation Tax Liability as reported to the Authority as part of the ET2 Price Control Financial Model.
Tax Strategy	has the meaning given to that term in Schedule 19 to the Finance Act 2016, as amended from time to time.
Time Value of Money Adjustment	has the meaning given to that term in the glossary of the ET2 Price Control Financial Handbook.
Timely Connections Obligations	means the requirements on the licensee to make timely offers of connection terms as set out in Standard Condition D4A (Obligations in relation to offers for connection etc) and paragraph 4.8 in Part 2 of Section D of the STC (subject to paragraph 4.9 of that same Part).
Totex Allowance	means the allowance used for the Totex Incentive Mechanism and is the sum of values under the heading "Totex allowance" in the "Input" sheet of the ET2 Price Control Financial Model.
Total NIA Expenditure	means expenditure that satisfies the requirements of the RII0-2 NIA Governance Document and is partly recovered by the licensee under the Special Condition 5.2 (RIIO-2 network innovation allowance).
Totex Incentive Mechanism	means the mechanism within the ET2 Price Control Financial Model which provides for the licensee to bear a specified share of any overspend, or retain a specified share of any underspend, represented in either case by a difference between: <ul style="list-style-type: none"> (a) the licensee's Totex Allowance; and (b) the licensee's actual totex expenditure.
Totex Incentive Strength	has the value SPTL: 49%
Towers	means steel structures used to support power carrying conductors and insulators at a distance.
Tower Steelwork	means the steel members that make up lattice overhead line Towers.
Transmission Area	means the area that comprises: <ul style="list-style-type: none"> (a) Scotland (except the area specified in the Electricity Act 1989 (Uniform Prices in the North of Scotland) Order 2005 made on 1 April 2005, the Cruachan Transmission Line and the Dalmally Switching Station; and

	(b) the subsea corridor within the territorial sea adjacent to Great Britain or within any Renewable Energy Zone that the part of the Western HVDC Link owned by the licensee passes through.
Transmission Business	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Transmission Business Activities	has the meaning given to that term in Standard Condition B1 (Regulatory Accounts).
Transmission Connection Assets	means those assets solely required to connect an individual User to the National Electricity Transmission System, which are not and would not normally be used by any other connected party.
Transmission Connection Infrastructure	means any asset that is potentially shareable used in the connection of a User to the Transmission System.
Transmission Licence	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Transmission Licensee	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Transmission Network Services	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Transmission Owner	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Transmission System	has the meaning given to that term by section 4(4) of the Act.
Tyne Crossing Project	means the project to replace the overhead line part of the Transmission System which crosses the River Tyne.
Ultimate Controller	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Unfair Commercial Advantage	includes any such advantage from a preferential or discriminatory arrangement, and for the licensee is in connection with a business other than its Transmission Business.
Untimely Offers	means connection offers made other than in accordance with the licensee's Timely Connections Obligations.
Use It Or Lose It Adjustment	means an adjustment to allowances where they have not been spent, or have not been spent in a way that is efficient to: <ul style="list-style-type: none"> (a) improving cyber resilience in relation to OT, including risk reduction or improved status of the licensee's network and information systems with respect to CAF Outcomes, in relation to Special Condition 3.2 (Cyber resilience operational technology Re-opener, Price Control Deliverable and use it or lose it adjustment); (b) developing projects in preparation for Re-openers in relation to Special Condition 3.5 (Net Zero And Re-opener Development Fund use it or lose it allowance);

	<p>(c) the delivery of No Net Loss In Biodiversity and remediation of contaminated land in relation to Special Condition 3.19 (Enhanced Environmental Requirements use it or lose it allowance); and</p> <p>(d) the purpose of the Net Zero Fund, in relation to Special Condition 5.5 (Net Zero Fund use it or lose it allowance) which will not exceed the allowance provided.</p>
User	<p>means any person (other than the System Operator or a Transmission Owner) who is authorised to generate, participate in the transmission of, distribute or supply electricity or who is included in a class of person or persons which has been granted an exemption from section 6 of the Act and any person engaged in the sale or purchase of electricity or who otherwise purchases or acquires for purchase electricity.</p>
Visual Impact Mitigation Price Control Deliverables	<p>means the outputs, delivery dates and allowances set out in Appendix 1 to Special Condition 3.10 (Visual Impact Mitigation Re-opener and Price Control Deliverable and Enhancing Pre-existing Infrastructure Projects allowance).</p>
WACC	<p>means the vanilla weighted average cost of capital for the licensee as derived by the Authority in accordance with the ET2 Price Control Financial Handbook.</p>
Western HVDC Link	<p>means the high voltage electric lines and electrical plant which comprise the following components:</p> <p>(a) a high voltage direct current cable, the sole purpose of which is to transmit electricity between the Transmission Area of National Grid Electricity Transmission Plc and that part of the licensee's Transmission Area via an onshore and subsea corridor the route of which extends, in part, outside of Great Britain, the territorial sea adjacent to Great Britain and any Renewable Energy Zone;</p> <p>(b) convertor stations at either end of the high voltage direct current cable described in paragraph (a) above to facilitate the conversion of power from direct current in the high voltage direct current cable to alternating current in the National Electricity Transmission System; and</p> <p>(c) cables to connect each converter station described in paragraph (b) above to an appropriate substation in each of the licensee's Transmission Area and National Grid Electricity Transmission Plc's Transmission Area as defined in Special Condition 1.1 of their licence, respectively and that does not transmit electricity for the purposes of offshore transmission as defined in the Act.</p>
Working Day	<p>means any day other than a Saturday, a Sunday, Christmas Day, Good Friday or a day which is a bank holiday under the Banking and Financial Dealings Act 1971 in any part of the United Kingdom.</p>

Special Condition 1.2 Variations to the standard conditions for the purposes of this licence

Introduction

1.2.1 The purpose of this licence condition is to vary the standard conditions in their application for the purposes of this licence.

Part A: Modifications

1.2.2 For the purposes of this licence Standard Condition A1 (Definitions and interpretation) should be read as follows:

(a) insert immediately after the definition of "Section E (offshore transmission owner standard conditions) Directions" and the definition of "statutory accounts":

"separate business" means each or any of:

(a) any supply business of (i) the licensee or (ii) an affiliate or related undertaking of the licensee;

(b) any distribution business of (i) the licensee or (ii) an affiliate or related undertaking of the licensee;

(c) any generation business of (i) the licensee or (ii) an affiliate or related undertaking of the licensee;

(d) any interconnector business of (i) the licensee or (ii) an affiliate or related undertaking of the licensee;"

(b) at the definition of "transmission business" delete sub-paragraph (i) and all subsequent text up to, but not including, the definition of "transmission constraint costs" and insert in its place the following new sub-paragraphs:

(c) "any other separate business;

(d) any business of the licensee or any affiliate or related undertaking in the provision of settlement services in connection with the BSC or the Pooling and Settlement Agreement; or

(e) any other business whether or not a separate business of the licensee or any affiliate or related undertaking in the provision of services to or on behalf of any one or more persons."

Chapter 2: Revenue restriction

Special Condition 2.1 Revenue restriction

Introduction

- 2.1.1 The purpose of this condition is to ensure that the licensee sets Network Charges to aim to recover no more than Allowed Revenue.
- 2.1.2 This condition also provides for the calculation of the term AR_t (the Allowed Revenue term).

Part A: Licensee's obligation when setting Network Charges

- 2.1.3 The licensee must, when setting Network Charges use its best endeavours to ensure that Recovered Revenue does not exceed Allowed Revenue.

Part B: Recovered Revenue term (RR_t)

- 2.1.4 Recovered Revenue (RR_t) means the revenue (measured on an accruals basis) derived from the provision of Transmission Network Services (including to any separate business, other than the Transmission Business) in the Regulatory Year, after deduction of value added tax (if any) and any other taxes charged directly by reference to the amounts so derived.

Part C: Formula for calculating the Allowed Revenue term (AR_t)

- 2.1.5 The value of AR_t is derived in accordance with the following formula:

$$AR_t = ADJR_t^* + K_t + LAR_t$$

where:

$ADJR_t^*$ means adjusted revenue most recently published by the Authority pursuant to Part B of Special Condition 8.2 (Annual Iteration Process for the ET2 Price Control Financial Model) prior to the start of Regulatory Year t

K_t means the K correction term and is derived in accordance with Part H of this condition; and

LAR_t is derived in accordance with Special Condition 7.1 (Legacy adjustments to revenue).

Part D: Formula for calculating Adjusted Revenue ($ADJR_t$)

- 2.1.6 The value of $ADJR_t$ is derived in accordance with the following formula:

$$ADJR_t = R_t \frac{PI_t}{PI_{2018/19}} + ADJ_t$$

where:

- R_t means the value of Calculated Revenue calculated in accordance with paragraph 2.1.7 of this condition;
- PI_t means the price index derived in accordance with Part F; and
- ADJ_t means the AIP adjustment term derived in accordance with Part G.

Part E: Formula for calculating the Calculated Revenue term (R_t)

2.1.7 The value of R_t is derived in accordance with the following formula:

$$R_t = FM_t + PT_t + DPN_t + RTN_t + RTNA_t + EIC_t + DRS_t + ODI_t + BPI_t + ORA_t + TAX_t + TAXA_t$$

where:

- FM_t means fast money and has the value set out in the “Revenue sheet” of the ET2 Price Control Financial Model;
- PT_t is derived in accordance with Special Condition 6.1 (Pass-through items);
- DPN_t means depreciation and has the value set out in the “Revenue sheet” of the ET2 Price Control Financial Model;
- RTN_t means return and has the value set out in the “Revenue sheet” of the ET2 Price Control Financial Model;
- $RTNA_t$ means return adjustment and is derived in accordance with Special Condition 2.3 (Return Adjustment);
- EIC_t means equity issuance costs and has the value set out in the “Revenue sheet” of the ET2 Price Control Financial Model;
- DRS_t means Directly Remunerated Services and has the value set out in the “Revenue sheet” of the ET2 Price Control Financial Model;
- ODI_t is derived in accordance with Special Condition 4.1 (Total output delivery incentive performance);
- BPI_t means the business plan incentive term and has the value in the “Revenue sheet” of the ET2 Price Control Financial Model, unless the Authority directs otherwise under Special Condition 4.8 (Consumer value proposition);
- ORA_t means other revenue allowances and is derived in accordance with Special Condition 5.1 (Total other revenue allowances);
- TAX_t has the value set out in the “Revenue sheet” of the ET2 Price Control Financial Model; and
- $TAXA_t$ means the tax allowance adjustment term and has the value zero, unless the Authority directs otherwise under Special Condition 2.2 (Tax allowance adjustment).

Part F: Formula for calculating the price index term (PI_t)

2.1.8 The value of PI_t is the arithmetic average value of each of the twelve monthly values of PI_m from 1 April to 31 March within Regulatory Year t derived in accordance with the following formula:

$$PI_m = \begin{cases} RPI_m, & \text{if } m < \text{April 2021} \\ PI_{m-1} \left(0.5 \frac{CPIH_m}{CPIH_{m-1}} + 0.5 \frac{RPI_m}{RPI_{m-1}} \right), & \text{if } m = \text{April 2021} \\ PI_{m-1} \cdot \frac{CPIH_m}{CPIH_{m-1}}, & \text{if } m > \text{April 2021} \end{cases}$$

where:

- m refers to a year and month;
- RPI_m means the Retail Prices Index for the year and month m ; and
- $CPIH_m$ means the Consumer Prices Index Including Owner Occupiers' Housing Costs for the year and month m .

Part G: AIP adjustment term (ADJ_t)

- 2.1.9 For the Regulatory Year commencing on 1 April 2021, the value of ADJ is zero.
- 2.1.10 For subsequent Regulatory Years, the value of ADJ_t is derived in accordance with the following formula:

$$ADJ_t = (ADJR_{t-1} - ADJR_{t-1}^*)(1 + TVM_{t-1})$$

where:

- $ADJR_t$ is derived in accordance with Part D;
- $ADJR_t^*$ means adjusted revenue most recently published by the Authority pursuant to Part B of Special Condition 8.2 (Annual Iteration Process for the ET2 Price Control Financial Model) prior to the start of Regulatory Year t ; and
- TVM_t means the time value of money term derived in accordance with paragraph 2.1.11.

- 2.1.11 The value of TVM_t is derived in accordance with the following formula:

$$TVM_t = (1 + WACC_t) \frac{PI_{t+1}}{PI_t} - 1$$

where:

- $WACC_t$ means the vanilla weighted average cost of capital for the licensee as derived by the Authority in accordance with the ET2 Price Control Financial Handbook; and
- PI_t means the price index derived in accordance with Part F.

Part H: Correction term (K_t)

- 2.1.12 For the Regulatory Year commencing on 1 April 2020, the value of K is zero.

2.1.13 For subsequent Regulatory Years, the value of K_t is derived in accordance with the following formula:

$$K_t = (AR_{t-1} - RR_{t-1})(1 + I_{t-1} + 1.15\%)$$

where

AR_t For Regulatory Years commencing on or after 1 April 2021 AR_t is derived in accordance with Part C. For the Regulatory Year commencing on 1 April 2020 AR_t has the value of Allowed Transmission Owner Revenue derived in accordance with Part B of Special Condition 3A (Restriction of Transmission Network Revenue) of this licence as in force on 31 March 2021;

RR_t means Recovered Revenue and is derived in accordance with Part B; and

I_t means the average value of SONIA.

Special Condition 2.2 Tax allowance adjustment ($TAXA_t$)

Introduction

- 2.2.1 The purpose of this condition is to calculate any adjustment to the term $TAXA_t$ (the tax allowance adjustment term), which feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 2.2.2 The effect is to adjust Calculated Revenue, if required following a review of material, unexplained differences between the licensee's Calculated Tax Allowance and its Actual Corporation Tax Liability, in accordance with Chapter 6 of the ET2 Price Control Financial Handbook.
- 2.2.3 It also explains the process the Authority will follow when directing any change as a result of the review.

Part A: Undertaking a tax review

- 2.2.4 The Authority may undertake a tax review of any material, unexplained differences between the licensee's Calculated Tax Allowance and its Actual Corporation Tax Liability, in accordance with Chapter 6 of the ET2 Price Control Financial Handbook.
- 2.2.5 Where the Authority notifies the licensee that it has decided to undertake a tax review and given the reasons for that decision, the licensee must:
- (a) procure an Appropriately Qualified Independent Examiner to examine the differences between the licensee's Calculated Tax Allowance and its Actual Corporation Tax Liability and submit a report to the Authority;
 - (b) carry out any reasonable steps specified by the Authority for such a procurement and comply with any requirements reasonably specified by

the Authority as to the terms of appointment of the Appropriately Qualified Independent Examiner;

- (c) ensure that the Appropriately Qualified Independent Examiner carries out the work within the scope, and by the date, reasonably specified by the Authority and the examiner after discussing with the examiner; and
 - (d) send to the Authority a report from the Appropriately Qualified Independent Examiner in the form, and containing the content, specified by the Authority, following discussion with the examiner.
- 2.2.6 Following receipt of the Appropriately Qualified Independent Examiner's report, the Authority will:
- (a) direct any adjustment to the value of the $TAXA_t$ term that it considers should be made taking account of the report, and
 - (b) specify the Regulatory Years to which that adjustment relates.

Part B: What process will the Authority follow in making a direction?

- 2.2.7 Before making a direction under paragraph 2.2.6, the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction; and
 - (c) a period during which representations on the proposed direction may be made, which will not be less than 28 days.

Special Condition 2.3 Return Adjustment ($RTNA_t$)

Introduction

- 2.3.1 The purpose of this condition is to calculate the term $RTNA_t$ (the return adjustment term), which feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 2.3.2 The effect of this condition is to adjust Calculated Revenue following a review of Operational Performance after the Price Control Period.
- 2.3.3 It also explains the process the Authority will follow when directing any change as a result of the review.

Part A: Undertaking a review of Operational Performance

- 2.3.4 After the Price Control Period, the Authority will undertake a review of Operational Performance.
- 2.3.5 Following its review, the Authority will direct any adjustment to the value of the term $RTNA_t$ in accordance with the method set out in Parts B and C and any further applicable explanation or elaboration within the ET2 Price Control Financial Handbook.

Part B: Formulae for calculating the return adjustment term (RTNA_t)

2.3.6 The value of RTNA_t is derived in accordance with the following formula:

$$RTNA_t = RTNR \cdot \frac{RAVL_t \cdot (1 - G)}{\sum_{t=2021/22}^{2025/26} RAVL_t \cdot (1 - G)}$$

where:

RTNR means the return adjustment for the licensee over the Price Control Period, derived in accordance with paragraphs 2.3.7 and 2.3.9;

RAVL_t means the RAV value for the licensee and has the value derived in accordance with the ET2 Price Control Financial Model; and

G means notional gearing, and has the value of 55%.

2.3.7 Where Operational Performance is equal to or greater than zero, the value of RTNR is derived in accordance with the following formula:

$$RTNR = \sum_{t=2021/22}^{2025/26} RAVL_t \cdot (1 - G) \cdot$$

$$[MAX(MIN(EO - OPP, EO), 0) - MAX(MIN(OPP, T2) - T1, 0) \cdot AR1 - MAX(OPP - T2, 0) \cdot AR2]$$

2.3.8 where:

RAVL_t means the RAV value for the licensee and has the value derived in accordance with the ET2 Price Control Financial Model;

G means notional gearing, and has the value of 55%;

EO means expected outperformance, and has the value derived in accordance with the ET2 Price Control Financial Model;

OPP means the Operational Performance value for the licensee, in percentage terms, over the Price Control Period and has the value derived in accordance with the ET2 Price Control Financial Model;

T1 means threshold 1, and has the value of 3%;

T2 means threshold 2, and has the value of 4%;

AR1 means adjustment rate 1, and has the value of 50%; and

AR2 means adjustment rate 2, has the value of 90%.

2.3.9 When Operational Performance is less than zero, the value of RTNR is derived in accordance with the following formula:

$$RTNR = \sum_{t=2021/22}^{2025/26} RAVL_t \cdot (1 - G) \cdot$$

$$[EO + MAX(MIN(-OPP, T2) - T1, 0) \cdot AR1 + MAX(-OPP - T2, 0) \cdot AR2]$$

where each term has the meaning given in paragraph 2.3.7.

Part C: What process will the Authority follow in making a direction?

- 2.3.10 Before making a direction under paragraph 2.3.5, the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction; and
 - (c) a period during which representations on the proposed direction may be made, which will not be less than 28 days.
- 2.3.11 A direction under paragraph 2.3.5 will set out the value of the RTNA_t term and the Regulatory Years to which that adjustment relates.

Chapter 3: Totex Allowance adjustments

Special Condition 3.1 Baseline Network Risk Outputs (NARM_t)

Introduction

3.1.1 This condition sets out the requirements on the licensee in respect of Baseline Network Risk Outputs and specifies the value of the term NARM_t (the Baseline Allowed NARM Expenditure term), which contributes to the calculation of the Totex Allowance.

3.1.2 It also sets out:

- (a) the processes for issuing and amending the Network Asset Risk Workbook and NARM Handbook; and
- (b) the requirements on the licensee in respect of a closeout report.

Part A: Requirement to deliver Baseline Network Risk Outputs

3.1.3 By the end of the Price Control Period, the licensee must deliver its Baseline Network Risk Outputs in accordance with sheet “1.1. Baseline Network Risk Outputs” of the Network Asset Risk Workbook.

3.1.4 Any relevant funding adjustments and penalties to reflect the licensee’s Outturn Network Risk Outputs and incurred costs of delivery will be calculated by the Authority in accordance with the NARM Handbook.

Part B: Network Asset Risk Workbook

3.1.5 The Authority will issue and amend the Network Asset Risk Workbook by direction.

3.1.6 The Authority will publish the Network Asset Risk Workbook on the Authority’s Website.

3.1.7 Before issuing the Network Risk Asset Workbook by direction, the Authority will publish on the Authority’s Website:

- (a) the text of the proposed Network Risk Asset Workbook;
- (b) the date on which the Authority intends the Network Risk Asset Workbook to come into effect; and
- (c) a period during which representations may be made on the content of the Network Risk Asset Workbook, which will not be less than 28 days.

3.1.8 Before amending the Network Asset Risk Workbook by direction, the Authority will publish on the Authority’s Website:

- (a) the text of the amended Network Risk Asset Workbook;
- (b) the date on which the Authority intends the amended Network Risk Asset Workbook to come into effect;

- (c) the reasons for the amendments to the Network Risk Asset Workbook; and
- (d) a period during which representations may be made on the amendments to the Network Risk Asset Workbook, which will not be less than 28 days.

Part C: NARM Handbook

- 3.1.9 The Authority will issue and amend the NARM Handbook by direction.
- 3.1.10 The Authority will publish the NARM Handbook on the Authority's Website.
- 3.1.11 Before issuing the NARM Handbook by direction, the Authority will publish on the Authority's Website:
 - (a) the text of the proposed NARM Handbook;
 - (b) the date on which the Authority intends the NARM Handbook to come into effect; and
 - (c) a period during which representations may be made on the content of the NARM Handbook, which will not be less than 28 days.
- 3.1.12 Before amending the NARM Handbook by direction, the Authority will publish on the Authority's Website:
 - (a) the text of the amended NARM Handbook;
 - (b) the date on which the Authority intends the amended NARM Handbook to come into effect;
 - (c) the reasons for the amendments to the NARM Handbook; and
 - (d) a period during which representations may be made on the amendments to the NARM Handbook, which will not be less than 28 days.

Part D: Baseline Allowed NARM Expenditure for Baseline Network Risk Outputs (NARM_t)

- 3.1.13 The licensee's Baseline Allowed NARM Expenditure for delivering its Baseline Network Risk Outputs is set out in Appendix 1.

Part E: Process for Rebasing Baseline Network Risk Outputs

- 3.1.14 The Rebased Baseline Network Risk Outputs submitted in accordance with Part C of Special Condition 9.2 (Network Asset Risk Metric methodology) must:
 - (a) be calculated using the NARM Methodology as approved under paragraph 9.2.9;
 - (b) be representative of the same assumed volume and type of intervention for each NARM Asset Category as assumed in the setting of the Baseline Network Risk Outputs;
 - (c) be as Equally Challenging as the Baseline Network Risk Outputs; and
 - (d) be in the same format as the Network Asset Risk Workbook.

- 3.1.15 Where the licensee proposes Rebased Baseline Network Risk Outputs in accordance with Part C of Special Condition 9.2, the Authority will consider the proposal and by direction:
- (a) approve it;
 - (b) approve it with adjustments; or
 - (c) reject it.
- 3.1.16 Before issuing a direction under paragraph 3.1.15, the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the date on which the Authority intends the proposed direction to come into effect;
 - (c) the reasons for the proposed direction; and
 - (d) a period during which representations may be made on the proposed direction, which will not be less than 28 days.
- 3.1.17 Any Rebased Baseline Network Risk Outputs approved by the Authority under paragraph 3.1.15(a) or (b) will supersede the Baseline Network Risk Outputs for the purpose of this condition.

Part F: Requirement to provide a closeout report

- 3.1.18 On or before 31 October 2026, the licensee must provide to the Authority a report, together with detailed supporting evidence, setting out the following:
- (a) the licensee's Outturn Network Risk Outputs;
 - (b) the costs incurred by the licensee in delivering its Outturn Network Risk Outputs and a breakdown of those costs in the manner specified by the Authority by direction under Standard Condition B15 (Regulatory Instructions and Guidance);
 - (c) details of any Non-intervention Risk Changes, including the associated impact on Baseline Network Risk Outputs or Outturn Network Risk Outputs; and
 - (d) justification cases for any portions of over-delivery or under-delivery against Baseline Network Risk Outputs that the licensee considers to be justified.

Appendix 1

Baseline Allowed NARM Expenditure (NARM_t) for delivering Baseline Network Risk Outputs (£m)

Regulatory Year	NARM_t, excluding RPEs (£m)
2021/22	69.18
2022/23	83.82

2023/24	70.27
2024/25	75.42
2025/26	36.27
RIO-2 Total	334.96

Special Condition 3.2 Cyber resilience operational technology Re-opener, Price Control Deliverable and use it or lose it adjustment (CROT_t and CROTRE_t)

Introduction

- 3.2.1 The purpose of this condition is to calculate the terms CROT_t (the cyber resilience OT term). The OT Price Control Deliverable term) and CROTRE_t (the cyber resilience OT Re-opener term). These contribute to the calculation of the Totex Allowance.
- 3.2.2 The effect of this condition is to:
- (a) establish the Cyber Resilience OT PCD Table, which specifies the outputs, delivery dates and associated allowances for cyber resilience in relation to OT;
 - (b) require the licensee to take all reasonable steps to deliver in accordance with the Cyber Resilience OT PCD Table;
 - (c) require the licensee to submit a Cyber Resilience OT Plan at the start of the Price Control Period;
 - (d) establish Re-openers for the licensee and Authority to trigger amendments to the Cyber Resilience OT PCD Table during the Price Control Period;
 - (e) require the licensee to report regularly to the Authority on cyber resilience OT; and
 - (f) provide for an assessment of delivery under this condition, including a Use It Or Lose It Adjustment.
- 3.2.3 This condition also sets out the process the Authority will follow when directing any changes under paragraph 3.2.8, 3.2.11, 3.2.15 or 3.2.17.

Part A: Formulae for calculating the cyber resilience OT term (CROT_t and the cyber resilience OT Re-opener term (CROTRE_t

- 3.2.4 The value of CROT_t is derived in accordance with the following formula:

$$CROT_t = CROTA_t - CROTRA_t$$

where:

$CROTA_t$ means the allowances in the Cyber Resilience OT Baseline Allowances Table; and

$CROTRA_t$ has the value zero unless otherwise directed by the Authority in accordance with Part F.

3.2.5 The value of $CROTRE_t$ is derived in accordance with the following formula:

$$CROTRE_t = CROTO_t - CROTRO_t$$

where:

$CROTO_t$ means the sum of allowances directed by the Authority as a result of Re-openers established by Parts C, D and E; and

$CROTRO_t$ has the value zero unless otherwise directed by the Authority in accordance with Part F.

Part B: Cyber resilience OT outputs

3.2.6 The Cyber Resilience OT PCD Table specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

3.2.7 The licensee must take all reasonable steps to deliver the outputs in accordance with, and by the delivery dates specified in, the Cyber Resilience OT PCD Table.

Part C: Requirement to submit a Cyber Resilience OT Plan and Re-opener application

3.2.8 The licensee must, between 1 April 2021 and 8 April 2021, submit to the Authority:

(a) a Cyber Resilience OT Plan; and

(b) an application for a direction by the Authority requesting such amendments to the Cyber Resilience OT PCD Table as it considers are warranted by its Cyber Resilience OT Plan.

3.2.9 A Cyber Resilience OT Plan submitted under paragraph 3.2.8(a) must be in writing and give details of any proposed activities that the licensee considers would be capable of improving cyber resilience in relation to OT, including risk reduction and improved status of the licensee's network and information systems with respect to CAF Outcomes.

3.2.10 An application under paragraph 3.2.8(b) must be made in writing and:

(a) include statements:

(b) setting out any amendments requested to the outputs, delivery dates or allowances in the Cyber Resilience OT PCD Table;

(c) explaining how any amendments requested would improve cyber resilience in relation to OT, including risk reduction and improved status of the

licensee's network and information systems with respect to CAF Outcomes;
and

- (d) explaining the basis of the calculations for any amendments requested to allowances; and
- (e) provide such detailed supporting evidence as is reasonable in the circumstances.

Part D: Cyber resilience OT Re-opener

3.2.11 The licensee may apply to the Authority for a direction amending the outputs, delivery dates or associated allowances in the Cyber Resilience OT PCD Table where it considers there are:

- (a) new activities, including new technology, capable of improving cyber resilience in relation to OT, including risk reduction and improved status of the licensee's network and information systems with respect to CAF Outcomes;
- (b) changes to levels of risks or threats relating to cyber resilience in relation to OT, that take the licensee outside of its organisational risk appetite; or
- (c) changes to statutory or regulatory requirements relating to cyber resilience in relation to OT.

3.2.12 The licensee may only apply to the Authority under paragraph 3.2.10. Between 25 January 2023 and 31 January 2023, or during such other periods as the Authority may direct.

3.2.13 An application under paragraph 3.2.11 must be made in writing to the Authority and must:

- (a) give details of the circumstances referred to in paragraph 3.2.11 that the licensee considers exist;
- (b) set out any amendments requested to the outputs, delivery dates or allowances set out in the Cyber Resilience OT PCD Table;
- (c) explain how any amendments requested would improve cyber resilience in relation to OT, including risk reduction and improved status of the licensee's network and information systems with respect to CAF Outcomes;
- (d) explain the basis of the calculations for any amendments requested to allowances; and
- (e) provide such detailed supporting evidence as is reasonable in the circumstances.

3.2.14 An application under paragraph 3.2.11 must:

- (a) relate to circumstances of the type referred to in paragraph 3.2.11 that have developed since the licensee submitted its Cyber Resilience OT Plan under paragraph 3.2.8;

- (b) take account of any allowed expenditure, which can be avoided as a result of the change; and
- (c) be confined to costs incurred or expected to be incurred on or after 1 April 2021.

Part E: Authority triggered Re-opener

- 3.2.15 The Authority will also consider directing amendments to the outputs, delivery dates or allowances set out in the Cyber Resilience OT PCD Table without an application being made under paragraph 3.2.11, where it considers that:
- (a) circumstances of the type referred to in paragraph 3.2.11 exist; or
 - (b) circumstances exist that create an unreasonable degree of risk in relation to cyber resilience.
- 3.2.16 In relation to costs, any amendments directed by the Authority will be confined to costs incurred or expected to be incurred on or after 1 April 2021.

Part F: Assessment of delivery under this condition (CROTRA_t and CROTRO_t)

- 3.2.17 The Authority will direct a value for CROTRA_t and CROTRO_t where either of the following is appropriate:
- (a) an adjustment in accordance with the PCD Reporting Requirements and Methodology Document, where the licensee has not Fully Delivered an output in the Cyber Resilience OT PCD Table; or
 - (b) a Use It Or Lose It Adjustment, which will be assessed after any assessment under sub-paragraph (a).

Part G: Reporting Requirements

- 3.2.18 The licensee must send reports to the Authority, in a form approved by the Authority, that include:
- (a) a summary of progress against key milestones contained in the licensee's Improvement Plan;
 - (b) a summary of developments against the outputs in the Cyber Resilience OT PCD Table;
 - (c) the licensee's assessment of the impact of the progress and developments referred to in paragraphs 3.2.18(a) and (b) on improving cyber resilience in relation to OT, including risk reduction and improved status of the licensee's network and information systems with respect to CAF Outcomes;
 - (d) a description of how the licensee has considered any relevant guidance provided by the Authority;
 - (e) a summary of the current status of CAF Outcomes; and
 - (f) detailed supporting evidence as is reasonable in the circumstances.

3.2.19 Unless the Authority otherwise directs, the licensee must send reports under paragraph 3.2.18 by no later than the dates, and in relation to the periods, set out in Appendix 3.

Part H: What process will the Authority follow in making a direction?

3.2.20 Before making a direction under paragraph paragraph 3.2.8, 3.2.11, 3.2.15 or 3.2.17 the Authority will send to the licensee:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.2.21 A direction under paragraph 3.2.8, 3.2.11 or 3.2.15 will:

- (a) set out in full the Cyber Resilience OT PCD Table as amended; and
- (b) replace the text in Appendix 1 with the title and publication date of the direction.

3.2.22 A direction under paragraph 3.2.17 will set out the value of the CROTRAt and CROTROt term and the Regulatory Years to which those adjustments relate.

Appendix 1

**Title and publication date of document containing the Cyber Resilience OT
Baseline Allowances Table**

Title	Publication Date
RIIO-2 Final Determinations – SPT OT Cyber Resilience (REVISED)	3 February 2021

Appendix 2

**Title and publication date of document containing the Cyber Resilience OT PCD
Table**

Title	Publication Date
RIIO-2 Final Determinations – SPT OT Cyber Resilience (REVISED)	3 February 2021

Appendix 3

Report submission dates and the associated periods to be reported on

Dates each year by which reports must be submitted from 31 January 2022 to 31 July 2026	Associated periods to be reported on
31 July	1 October to 31 March
31 January	1 April to 30 September

Special Condition 3.3 Cyber resilience information technology Re-opener and Price Control Deliverable (CRIT_t and CRITRE_t)

Introduction

- 3.3.1 The purpose of this condition is to calculate the terms CRIT_t (the Cyber resilience IT Price Control Deliverable term) and CRITRE_t (the cyber resilience IT Re-opener term). These contribute to the calculation of the Totex Allowance.
- 3.3.2 The effect of this condition is to:
- (a) establish the Cyber Resilience IT PCD Table, which specifies the outputs, delivery dates and associated allowances for cyber resilience in relation to IT;
 - (b) require the licensee to take all reasonable steps to deliver in accordance with the Cyber Resilience IT PCD Table;
 - (c) require the licensee to submit a Cyber Resilience IT Plan at the start of the Price Control Period;
 - (d) establish Re-openers for the licensee and Authority to trigger amendments to the Cyber Resilience IT PCD Table during the Price Control Period;
 - (e) require the licensee to report regularly to the Authority on cyber resilience IT; and
 - (f) provide for an assessment of the Price Control Deliverable.
- 3.3.3 This condition also sets out the process the Authority will follow when directing any changes under paragraph paragraph 3.3.8, 3.3.11, 3.3.15 or 3.3.17

Part A: Formulae for calculating the cyber resilience IT term (CRIT_t) and the cyber resilience IT Re-opener term (CRITRE_t)

- 3.3.4 The value of CRIT_t is derived in accordance with the following formula:

$$CRIT_t = CRITA_t - CRITRA_t$$

where:

CRITA_t means the allowances in the Cyber Resilience IT Baseline Allowances Table; and

CRITRA_t has the value zero unless otherwise directed by the Authority in accordance with Part F.

3.3.5 The value of *CRITRE_t* is derived in accordance with the following formula:

$$CRITRE_t = CRITO_t - CRITRO_t$$

where:

CRITO_t means the sum of allowances directed by the Authority as a result of Re-openers established by Parts D and E; and

CRITRO_t has the value zero unless otherwise directed by the Authority in accordance with Part F.

Part B: Cyber resilience IT outputs

3.3.6 The Cyber Resilience IT PCD Table specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

3.3.7 The licensee must take all reasonable steps to deliver the outputs in accordance with, and by the delivery dates specified in, the Cyber Resilience IT PCD Table.

Part C: Requirement to submit a Cyber Resilience IT Plan and Re-opener application

3.3.8 The licensee must Between 1 April 2021 and 8 April 2021 submit to the Authority:

(a) a Cyber Resilience IT Plan; and

(b) an application for a direction by the Authority requesting such amendments to the Cyber Resilience IT PCD Table as it considers are warranted by its Cyber Resilience IT Plan.

3.3.9 A Cyber Resilience IT Plan submitted under paragraph 3.3.8(a) must be in writing and give details of any proposed activities that the licensee considers would be capable of improving cyber resilience in relation to IT, including measured risk reduction on the licensee's network and information systems.

3.3.10 An application under paragraph 3.3.8(b) must be made in writing and:

(a) include statements:

(b) setting out any amendments requested to the outputs, delivery dates or allowances in the Cyber Resilience IT PCD Table;

- (c) explaining how any amendments requested would improve cyber resilience in relation to IT, including risk reduction on the licensee's network and information systems; and
- (d) explaining the basis of the calculations for any amendments requested to allowances; and
- (e) provide such detailed supporting evidence as is reasonable in the circumstances.

Part D: Cyber resilience IT Re-opener

- 3.3.11 The licensee may apply to the Authority for a direction amending the outputs, delivery dates or associated allowances in the Cyber Resilience IT PCD Table where it considers there are:
- (a) new activities, including new technology, capable of improving cyber resilience in relation to IT, including risk reduction in respect to the licensee's network and information systems;
 - (b) changes to levels of risks or threats relating to cyber resilience in relation to IT, that take the licensee outside of its organisational risk appetite; or
 - (c) changes to statutory or regulatory requirements relating to cyber resilience in relation to IT.
- 3.3.12 The licensee may only apply to the Authority under paragraph 3.3.11 between 25 January 2023 and 31 January 2023, or during such other periods as the Authority may direct.
- 3.3.13 An application under paragraph 3.3.11 must be made in writing to the Authority and must:
- (a) give details of the circumstances referred to in paragraph 3.3.11 that the licensee considers exist;
 - (b) set out any amendments requested to the outputs, delivery dates or allowances set out in the Cyber Resilience IT PCD Table;
 - (c) explain how any amendments requested would improve cyber resilience in relation to IT, including risk reduction on the licensee's network and information systems;
 - (d) explain the basis of the calculations for any amendments requested to allowances; and
 - (e) include such detailed supporting evidence as is reasonable in the circumstances.
- 3.3.14 An application under paragraph 3.3.11 must:
- (a) relate to circumstances of the type referred to in paragraph 3.3.11 that have developed since the licensee submitted its Cyber Resilience IT Plan under paragraph 3.3.8;

- (b) take account of any allowed expenditure which can be avoided as a result of the change; and
- (c) be confined to costs incurred or expected to be incurred on or after 1 April 2021.

Part E: Authority triggered Re-opener

- 3.3.15 The Authority will also consider directing amendments to the outputs, delivery dates or allowances set out in the Cyber Resilience IT PCD Table without an application being made under paragraph 3.3.11, where it considers that:
- (a) circumstances of the type referred to in paragraph 3.3.11 exist; or
 - (b) circumstances exist that create an unreasonable degree of risk in relation to cyber resilience.
- 3.3.16 In relation to costs, any amendments directed by the Authority will be confined to costs incurred or expected to be incurred on or after 1 April 2021.

Part F: Assessment of the Price Control Deliverable (CRITRA_t and CRITRO_t)

- 3.3.17 The Authority will, in accordance with the PCD Reporting Requirements and Methodology Document, consider directing a value for CRITRA_t and CRITRO_t where the licensee has not Fully Delivered an output in the Cyber Resilience IT PCD Table.

Part G: Reporting Requirements

- 3.3.18 The licensee must send reports to the Authority, in a form approved by the Authority, that include:
- (a) a summary of progress against key milestones contained in the licensee's Improvement Plan;
 - (b) a summary of developments against the outputs in the Cyber Resilience IT PCD Table;
 - (c) the licensee's assessment of the impact of the progress and developments referred to in paragraphs 3.3.18(a) and (b) on improving cyber resilience in relation to IT, including risk reduction;
 - (d) a description of how the licensee has considered any relevant guidance provided by the Authority; and
 - (e) such detailed supporting evidence as is reasonable in the circumstances.
- 3.3.19 Unless the Authority otherwise directs, the licensee must send reports under paragraph 3.3.18 by no later than the dates, and in relation to the periods, set out in Appendix 3.

Part H: What process will the Authority follow in making a direction?

- 3.3.20 Before making a direction under paragraph 3.3.8, 3.3.11, 3.3.15 or 3.3.17, the Authority will send to the licensee:

- (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction; and
 - (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.
- 3.3.21 A direction under paragraph 3.3.8, 3.3.11 or 3.3.15 will:
- (a) set out in full the Cyber Resilience IT PCD Table as amended; and
 - (b) replace the text in Appendix 1 with the title and publication date of the direction.
- 3.3.22 A direction under paragraph 3.3.17 will set out the value of the CRITRA_t and CRITRO_t term and the Regulatory Years to which those adjustments relate

Appendix 1

Title and publication date of document containing the Cyber Resilience IT Baseline Allowances Table

Title	Publication Date
--------------	-------------------------

Appendix 2

Title and publication date of document containing the Cyber Resilience IT PCD Table

Title	Publication Date
--------------	-------------------------

Appendix 3

Report submission dates and the associated periods to be reported on

Dates each year by which reports must be submitted from 31 January 2022 to 31 January 2026	Associated periods to be reported on
31 July	1 October to 31 March
31 January	1 April to 30 September

Special Condition 3.4 Physical security Re-opener and Price Control Deliverable (PSUP_t and PSUPRE_t)

Introduction

- 3.4.1 The purpose of this condition is to calculate the terms PSUP_t (the physical security Price Control Deliverable term) and PSUPRE_t (the physical security Re-opener term). These contribute to the calculation of the Totex Allowance.
- 3.4.2 The effect of this condition is to:
- (a) specify the outputs, delivery dates and associated allowances for the Price Control Deliverable;
 - (b) establish a Re-opener for the licensee and Authority to trigger amendments to the Price Control Deliverable during the Price Control Period; and
 - (c) provide for an assessment of the Price Control Deliverable.
- 3.4.3 This condition also sets out the process the Authority will follow when directing any changes under paragraph 3.4.7, 3.4.11 or 3.12.

Part A: Formula for calculating the physical security Price Control Deliverable term (PSUP_t) and the physical security Re-opener term (PSUPRE_t)

- 3.4.4 The value of PSUP_t is derived in accordance with the following formula:

$$PSUP_t = PSUPA_t - PSUPRA_t$$

where:

PSUPA_t means the baseline allowances in Appendix 1; and

PSUPRA_t has the value zero unless otherwise directed by the Authority in accordance with Part E.

- 3.4.5 The value of PSUPRE_t is derived in accordance with the following formula:

$$PSUPRE_t = PSUPO_t - PSUPRO_t$$

where:

PSUPO_t means the sum of allowances directed by the Authority as a result of Re-openers established by Parts C and D; and

PSUPRO_t has the value zero unless otherwise directed by the Authority in accordance with Part E.

Part B: What is the licensee funded to deliver?

- 3.4.6 Appendix 2 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Physical security Re-opener

- 3.4.7 The licensee may apply to the Authority for a direction amending the outputs, delivery dates or associated allowances in Appendix 2 where the scope of work the licensee is required to carry out under the Physical Security Upgrade Programme has changed.
- 3.4.8 The licensee may only apply to the Authority under paragraph 3.4.7 Between 25 January and 31 January in year 2024, or during such later periods as the Authority may direct.
- 3.4.9 An application under paragraph 3.4.7 must be made in writing to the Authority and include statements:
- (a) setting out the changes to the scope of work the licensee is required to carry out under the Physical Security Upgrade Programme to which the application relates;
 - (b) setting out the Critical National Infrastructure classification for each site to which the application relates;
 - (c) setting out any amendments to the outputs, delivery dates or allowances set out in Appendix 2;
 - (d) explaining the basis of the calculations for any amendments requested to allowances; and
 - (e) providing such detailed supporting evidence as is reasonable in the circumstances.
- 3.4.10 An application under paragraph 3.4.7 must:
- (a) relate to changes to the scope of work the licensee is required to carry out under the Physical Security Upgrade Programme on or after 9 December 2019;
 - (b) take account of any allowed expenditure, which can be avoided as a result of the change; and
 - (c) be confined to costs incurred or expected to be incurred on or after 1 April 2021.

Part D: Authority triggered Re-opener

- 3.4.11 The Authority will also consider directing amendments to the outputs, delivery dates or allowances set out in Appendix 2 without an application being made under paragraph 3.4.6, where there have been changes to the scope of work the licensee is required to carry out under the Physical Security Upgrade Programme that:
- (a) have been mandated on or after 9 December 2019; and
 - (b) relate to costs incurred or expected to be incurred on or after 1 April 2021.

Special Condition 3.5 Net Zero and Re-opener Development Fund use it or lose it allowance (RDF_t)

Introduction

- 3.5.1 The purpose of this condition is to calculate the term RDF_t (the Net Zero And Re-opener Development Fund term). This contributes to the calculation of the Totex Allowance.
- 3.5.2 The effect of this condition is to:
- (a) specify the allowance for the Net Zero And Re-opener Development Fund;
 - (b) require the licensee to comply with the Net Zero And Re-opener Development Fund Governance Document; and
 - (c) provide for a Use It Or Lose It Adjustment.
- 3.5.3 This condition also explains the process the Authority will follow when issuing or amending the Net Zero And Re-opener Development Fund Governance Document.

Part A: Formula for calculating the Net Zero And Re-opener Development Fund term (RDF_t)

- 3.5.4 The value of RDF_t is derived in accordance with the following formula:

$$RDF_t = RDFA_t - RDFR_t$$

where:

RDFA_t means the allowances in Appendix 1; and

RDFR_t has the value zero unless otherwise directed by the Authority in accordance with Part D.

Part B: Net Zero And Re-opener Development Fund Governance Document

- 3.5.5 The licensee must comply with the Net Zero And Re-opener Development Fund Governance Document when incurring expenditure in relation to the allowance provided by this licence condition.
- 3.5.6 The Authority will issue and amend the Net Zero And Re-opener Development Fund Governance Document by direction.
- 3.5.7 The Authority will publish the Net Zero And Re-opener Development Fund Governance Document on the Authority's Website.

- 3.5.8 The Net Zero And Re-opener Development Fund Governance Document will make provision about the governance and administration of the Net Zero And Re-opener Development Fund, including:
- (a) the definition of ‘allowable RDF expenditure’ and ‘unrecoverable RDF expenditure’;
 - (b) the eligibility criteria, which expenditure incurred in relation to the allowance provided by this licence condition must meet; and
 - (c) the reporting obligations in respect of expenditure incurred in relation to Net Zero And Re-opener Development Fund which the licensee must meet.
- 3.5.9 Before directing that the Net Zero And Re-opener Development Fund Governance Document comes into effect, the Authority will publish on the Authority’s Website:
- (a) the text of the proposed Net Zero And Re-opener Development Fund Governance Document;
 - (b) the date on which the Authority intends the Net Zero And Re-opener Development Fund Governance Document to come into effect; and
 - (c) a period during which representations may be made on the content of the Net Zero And Re-opener Development Fund Governance Document, which will not be less than 28 days.
- 3.5.10 Before directing an amendment to the Net Zero And Re-opener Development Fund Governance Document, the Authority will publish on the Authority’s Website:
- (a) the text of the amended Net Zero And Re-opener Development Fund Governance Document;
 - (b) the date on which the Authority intends the amended Net Zero And Re-opener Development Fund Governance Document to come into effect;
 - (c) the reasons for the amendments to the Net Zero And Re-opener Development Fund Governance Document; and
 - (d) a period during which representations may be made on the amendments to the Net Zero And Re-opener Development Fund Governance Document, which will not be less than 28 days.

Part C: Use It Or Lose It Adjustment

- 3.5.11 The Authority will direct an amendment to the value of $RDFR_t$ where it considers that a Use It Or Lose It Adjustment is appropriate.

Part D: Authority's direction process

- 3.5.12 Before making a direction under paragraph 3.5.11, the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;

- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.5.13 The direction will set out the value of the $RDFR_t$ term and the Regulatory Years to which that adjustment relates.

Appendix 1

Net Zero And Re-opener Development Fund allowance (£m)

Regulatory Year						
$RDFA_t$	2021/22	2022/23	2023/24	2024/25	2025/26	Total
	£2.40	£2.40	£2.40	£2.40	£2.40	£12.00

Special Condition 3.6 Net zero Re-opener (NZ_t)

Introduction

- 3.6.1 The purpose of this condition is to calculate the term NZ_t (the net zero Re-opener term). This contributes to the calculation of the Totex Allowance.
- 3.6.2 The effect of this condition is to establish a Re-opener for the Authority to trigger amendments to the value of NZ_t and the outputs, delivery dates and allowances established by the special conditions of this licence.
- 3.6.3 This condition also explains the process the Authority will follow when directing any changes as a result of the Re-opener.

Part A: Formula for calculating the net zero Re-opener term

3.6.4 The value of NZ_t is derived in accordance with the following formula:

$$NZ_t = NZO_t - NZRO_t$$

where:

NZO_t means the sum of allowances directed by the Authority as a result of this Re-opener; and

$NZRO_t$ has the value zero unless otherwise directed by the Authority in accordance with Part C.

Part B: What is the scope of this Re-opener?

- 3.6.5 The Authority will consider directing an adjustment to the value of the NZO_t term and the outputs, delivery dates and allowances established by the special conditions of this licence where in its opinion:
 - (a) a Net Zero Development has occurred or is expected to occur;

- (b) the Net Zero Development has caused or is expected to cause the cost of Licensed Activity to increase or decrease during the Price Control Period;
- (c) the effect of the Net Zero Development on the cost of Licensed Activity is not otherwise provided for in this licence;
- (d) the effect of the Net Zero Development has not already been assessed under another Re-opener; and
- (e) the effect, or estimated effect, of the Net Zero Development on the cost of Licensed Activity exceeds the Materiality Threshold.

Part C: Adjustments to Re-opener allowances

- 3.6.6 Where a direction under Part B adjusts allowances in relation to a special condition in the first column of the table in Appendix 1, then the direction making power in the second column of the table in Appendix 1 extends to adjusting the value of NZRO_t term.
- 3.6.7 Before making a direction under paragraph 3.6.6 the Authority will follow the same procedure as specified for the direction making power in the second column of the table in Appendix 1.

Part D: What process will the Authority follow in making a direction?

- 3.6.8 Before making a direction under paragraph 3.6.5 the Authority will publish on the Authority's Website:
 - (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction; and
 - (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.
- 3.6.9 The direction will set out:
 - (a) any adjustments to the PCFM Variable Values of this licence and the Regulatory Years to which those adjustment relate; and
 - (b) any amendments to the outputs and delivery dates established by the special conditions of this licence.

Appendix 1

Adjustments to Re-opener allowances

Special condition	Direction making power
3.2 Cyber resilience operational technology Re-opener, Price Control Deliverable and use it or lose it adjustment	Part F of that condition
3.3 Cyber resilience information technology Re-opener and Price Control Deliverable	Part F of that condition

3.4 Physical security Re-opener and Price Control Deliverable	Part E of that condition
3.10 Visual Impact Mitigation Re-opener and Price Control Deliverable and Enhancing Pre-existing Infrastructure Projects allowance	Part G of that condition
3.14 Medium Sized Investment Projects Re-opener and Price Control Deliverable	Part F of that condition
3.15 Pre-Construction Funding Re-opener and Price Control Deliverable	Part D of that condition
3.29 Uncertain non-load related projects Re-opener and Price Control Deliverable	Part D of that condition

Special Condition 3.7 Non-operational IT Capex Re-opener (NOIT_t)

Introduction

- 3.7.1 The purpose of this condition is to calculate the term NOIT_t (the Non-operational IT Capex Re-opener term). This contributes to the calculation of the Totex Allowance.
- 3.7.2 The effect of this condition is to establish a Re-opener triggered by either the licensee or the Authority for Non-operational IT Capex.
- 3.7.3 This condition also sets out the process the Authority will follow when directing any changes as a result of the Re-opener.

Part A: What costs are within the scope of this Re-opener?

- 3.7.4 The licensee may apply to the Authority for a direction adjusting the value of the NOIT_t term for any Regulatory Year during the Price Control Period as a result of:
- (a) the licensee identifying further evidence in support of Non-operational IT Capex projects that were included in its Business Plan, but in relation to which no allowance has been provided to date;
 - (b) the licensee identifying activities capable of improving its Non-operational IT Capex; or
 - (c) any changes to statutory or regulatory requirements relating to Non-operational IT Capex.

Part B: When to make an application

- 3.7.5 The licensee may only apply to the Authority for an adjustment under paragraph 3.7.4:
- (a) between 1 April 2021 and 8 April 2021;

- (b) between 25 January 2023 and 31 January 2023; and
- (c) during such other periods as the Authority may direct.

Part C: How to make an application

- 3.7.6 An application under paragraph 3.7.4 must be made in writing to the Authority and:
- (a) give details of the circumstances referred to in paragraph 3.7.4 that the licensee considers exist;
 - (b) explain how the adjustment requested would improve its Non-operational IT Capex;
 - (c) explain the basis of the calculations for the adjustment requested to allowances; and
 - (d) give details of anticipated business benefits derived from any risk reduction as a result of the proposed activities; and
 - (e) provide such detailed supporting evidence as is reasonable in the circumstances, which must include:
 - (f) delivery plans;
 - (g) a prioritisation programme;
 - (h) market and industry cost comparison; and
 - (i) anticipated business benefits derived as a result of the proposed activities.
- 3.7.7 An application under paragraph 3.7.4 must:
- (a) take account of any allowed expenditure, which can be avoided as a result of the adjustment; and
 - (b) be confined to costs incurred or expected to be incurred on or after 1 April 2021.

Part D: Authority triggered re-opener

- 3.7.8 The Authority will also consider directing an adjustment to the value of the NOIT_t term without an application being made under paragraph 3.7.4 where it considers that:
- (a) circumstances of the type referred to in paragraph 3.7.4 exist; and
 - (b) costs were incurred, or will be incurred, on or after 1 April 2021.

Part E: What process will the Authority follow in making a direction?

- 3.7.9 Before making a direction under paragraph 3.7.4 or 3.7.8, the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction; and

(c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.7.10 A direction under paragraph 3.7.4 or 3.7.8 will set out any amendments to the NOIT_t term and the Regulatory Years to which that adjustment relates.

Special Condition 3.8 Coordinated adjustment mechanism Re-opener (CAM_t)

Introduction

3.8.1 The purpose of this condition is to calculate the term CAM_t (the coordinated adjustment mechanism term). This contributes to the calculation of the Totex Allowance.

3.8.2 The effect of this condition is to establish a Re-opener triggered by the licensee where an opportunity that delivers greater overall consumer value has been identified to reallocate responsibility for, and revenue associated with, a CAM Activity to or from a Partner Licensee.

3.8.3 This condition also explains the process the Authority will follow when directing any changes as a result of the Re-opener.

Part A: What costs are within scope of this Re-opener?

3.8.4 The licensee may apply to the Authority for a direction adjusting the value of the CAM_t term and the outputs, delivery dates and allowances within the special conditions relating to the CAM Activity for any Regulatory Year during the Price Control Period as a result of reaching agreement to reallocate responsibility and associated revenue for a CAM Activity to or from a Partner Licensee.

Part B: When to make an application

3.8.5 The licensee may only apply to the Authority for an adjustment under paragraph 3.8.4 Between 23 May and 29 May in each of the years 2021, 2022, 2023, 2024, 2025, or during such other periods as the Authority may direct.

Part C: How to make an application

3.8.6 An application under paragraph 3.8.4 must be made in writing to the Authority and:

(a) give a description of the engagement between the licensee and the Partner Licensee which has led to the application;

(b) explain whether the licensee is applying to have the CAM Activity reallocated to the licensee from the Partner Licensee, or from the licensee to the Partner Licensee;

- (c) explain why the original allocation of the CAM Activity no longer delivers greater overall consumer value, and why the reallocation does deliver greater overall consumer value;
- (d) give a description of the CAM Activity and associated revenue that the licensee is applying to reallocate;
- (e) set out any amendments requested to the outputs, delivery dates or allowances established by the special conditions of this licence and that of the Partner Licensee, relating to the CAM Activity;
- (f) set out the adjustments to the value of the CAM_t term for both the licensee and the Partner Licensee that the licensee is requesting and the Regulatory Years to which that adjustment relates;
- (g) explain the basis of the calculation for the proposed adjustments to the value of the licensee and the Partner Licensee's CAM_t terms or other allowances of the licensee and the Partner Licensee;
- (h) provide such detailed supporting evidence including cost benefit analysis, impact assessments, risk mitigation, and engineering justification statements as is reasonable in the circumstances; and
- (i) provide a copy of the agreement between the licensee and the Partner Licensee to transfer responsibility for and associated revenue of the CAM Activity.

3.8.7 An application under paragraph 3.8.4 must:

- (a) take account of any allowed expenditure by both the licensee and the Partner Licensee, which can be avoided as a result of the change; and
- (b) be confined to costs incurred or expected to be incurred on or after 1 April 2021.

Part D: What process will the Authority follow in making a direction

3.8.8 Before making a direction under paragraph 3.8.4 the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.8.9 The direction will set out:

- (a) any adjustments to the PCFM Variable Values of this licence and that of the Partner Licensee;
- (b) the Regulatory Years to which those adjustments relate; and
- (c) any amendments to the outputs and delivery dates established by the special conditions of this licence and that of the Partner Licensee.

Special Condition 3.9 Wider works Price Control Deliverable (WW_t)

Introduction

- 3.9.1 The purpose of this condition is to calculate the term WW_t (the wider works Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.
- 3.9.2 This condition specifies the outputs, delivery dates and associated allowances for the Price Control Deliverable.
- 3.9.3 This condition also explains the process the Authority will follow when assessing the Price Control Deliverable.

Part A: Formula for calculating the wider works Price Control Deliverable term (WW_t)

- 3.9.4 The value of WW_t is derived in accordance with the following formula:

$$WW_t = WWA_t - WWR_t$$

where:

WWA_t means the sum of allowances in Appendix 1; and

WWR_t has the value zero, unless otherwise directed by the Authority in accordance with Part C.

Part B: What is the licensee funded to deliver?

- 3.9.5 Appendix 1 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.
- 3.9.6 The codes at the start of each output in Appendix 1 are the NOA codes.

Part C: Assessment of Price Control Deliverable (WWR_t)

- 3.9.7 The Authority will, in accordance with the PCD Reporting Requirements and Methodology Document, consider directing a value for WWR_t where the licensee has not Fully Delivered an output in Appendix 1.

Part D: What process will the Authority follow in making a direction?

- 3.9.8 Before making a direction under paragraph 3.9.7, the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction; and
 - (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.
- 3.9.9 The direction will set out the value of the WWR_t term and the Regulatory Years to which that value relates.

Appendix 1

Wider works Price Control Deliverable

Scheme Name	Output	Delivery Date	Allowance (£m)					
			21/22	22/23	23/24	24/25	25/26	All years
East coast 275kV upgrade (NOA code: ECU2)	B4 boundary capability uplift of 800MW: Reprofilng of the existing eastern circuits between the boundary of the Transmission Area and Kincardine, and the boundary of the Transmission Area and Longannet via Westfield, Mossmorran and Glenrothes.	31 December 2023	0.34	6.27	4.73	0.04	0.04	11.41
Hunterston East - Neilston 400kV reinforcement post (NOA Code: HNNO)	B6 boundary capability uplift of 500MW from Hunterston B closure value: Reconductor and reenergise a section of deenergised overhead line and install a third super	31 December 2023	5.01	10.50	3.50	0.07	0.07	19.16

	grid transformer at Neilston 400kV substation to establish a second Hunterston East – Neilston 400kV circuit.								
Windyhill to Lambhill to Longannet 275kV Circuit (NOA Code: WLT1)	B5 boundary capability uplift of 120MW delivered in conjunction with ECU2: Turn in the existing Windyhill to Lambhill to Longannet 275kV circuit into the existing Denny North 275kV substation.	30 September 2023	3.61	0.02	0.01	0.01	0.01	0.01	3.67
Eccles shunt compensation and real time thermal rating scheme NOA Code: ECVC)	B6 boundary capability uplift of up to 280MW and no less than 80MW: Installation of two hybrid synchronous compensators at Eccles 400kV substation to provide voltage support. Installation of	31 December 2024	9.36	37.96	35.50	6.53	0.32	89.68	

275kV
infrastructure
on the east
coast for
400kV
operation.

Special Condition 3.10 Visual Impact Mitigation Re-opener and Price Control Deliverable and Enhancing Pre-existing Infrastructure Projects allowance (VIMRE_t and EPI_t)

Introduction

- 3.10.1 The purpose of this condition is to specify the terms VIMRE_t (the Visual Impact Mitigation Re-opener term) and EPI_t (the Enhancing Pre-existing Infrastructure Projects term). These terms contribute to the calculation of the Totex Allowance.
- 3.10.2 The effect of this condition is to:
- (a) require the licensee to update its Mitigating Pre-existing Infrastructure Policy;
 - (b) specify the outputs, delivery dates and associated allowances for the Visual Impact Mitigation Price Control Deliverable;
 - (c) establish a Re-opener for the licensee to trigger amendments to the Visual Impact Mitigation Price Control Deliverable;
 - (d) provide for an assessment of the Visual Impact Mitigation Price Control Deliverable; and
 - (e) provide for the Authority to specify, during the first year of the Price Control Period, the outputs, delivery dates and associated allowances for Enhancing Pre-existing Infrastructure Projects.

Part A: Formula for calculating the Visual Impact Mitigation Re-opener (VIMRE_t)

- 3.10.3 The value of the term VIMRE_t is derived in accordance with the following formula:

$$VIMRE_t = VIMO_t - VIMRO_t$$

where:

- VIMO_t* means the sum of allowances directed by the Authority in accordance with Parts D and F; and
- VIMRO_t* has the value zero unless otherwise directed by the Authority in accordance with Part G.

- 3.10.4 The total value of the term VIMRE_t for all Transmission Licensees during the Price Control Period will not exceed the amount specified in Appendix 2.

Part B: Visual Impact Mitigation Price Control Deliverable

3.10.5 Appendix 1 specifies the Visual Impact Mitigation Price Control Deliverable that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Mitigating Pre-existing Infrastructure Policy

3.10.6 The licensee must update its Mitigating Pre-existing Infrastructure Policy for the Price Control Period before making an application under Part D or providing information to the Authority to calculate the NTMP_t term in accordance with Special Condition 5.4 (Non-Technical Mitigation Projects allowance).

3.10.7 The Mitigating Pre-existing Infrastructure Policy must include:

- (a) the licensee's objectives for delivering Visual Impact Mitigation Price Control Deliverables and Non-Technical Mitigation Projects, including how these have been informed by the licensee's statutory duties and stakeholders' views;
- (b) details of how the licensee will work with other licensees, relevant national and statutory bodies, and other interested stakeholders to maximise the benefits to consumers of Visual Impact Mitigation Price Control Deliverables and Non-Technical Mitigation Projects during the Price Control Period;
- (c) a proposed methodology to identify opportunities for ensuring best value for Visual Impact Mitigation Price Control Deliverables and Non-Technical Mitigation Projects on the National Electricity Transmission System;
- (d) proposed criteria to evaluate and prioritise Visual Impact Mitigation Price Control Deliverables and Non-Technical Mitigation Projects including visual amenity benefits, value for money, and other environmental impacts;
- (e) a description of the potential measures by which the licensee could deliver Visual Impact Mitigation Price Control Deliverables and Non-Technical Mitigation Projects;
- (f) a description of the licensee's governance processes for funding, and monitoring the delivery of Non-Technical Mitigation Projects, as well as providing progress updates to stakeholders; and
- (g) an explanation of how the licensee will review and revise the Mitigating Pre-existing Infrastructure Policy so that it is consistent with industry best practice.

3.10.8 The licensee must use its best endeavours to apply the Mitigating Pre-existing Infrastructure Policy.

3.10.9 Before revising the Mitigating Pre-existing Infrastructure Policy, the licensee must submit a copy of the proposed revisions to the Authority.

3.10.10 The Authority will either:

- (a) approve the proposed revisions;
- (b) reject the proposed revisions; or
- (c) reject the proposed revisions and give recommendations as to alternative revisions that it considers should be made.

Part D: Visual Impact Mitigation Re-opener

- 3.10.11 The licensee may apply to the Authority for a direction adding a new Visual Impact Mitigation Price Control Deliverable and associated allowance to Appendix 1.
- 3.10.12 The licensee may only apply to the Authority under paragraph 3.10.11 on or before 30 June 2025, or by such later deadline as the Authority may direct.
- 3.10.13 An application under paragraph 3.10.11 must be made in writing and:
- (a) set out the amendments sought to Appendix 1;
 - (b) describe the proposed Visual Impact Mitigation Price Control Deliverable and the estimated benefits it will deliver in relation to the mitigation of impacts of pre-existing transmission infrastructure on the visual amenity of a Designated Area;
 - (c) include detailed supporting evidence that the proposed Visual Impact Mitigation Price Control Deliverable has been identified and prioritised in accordance with the licensee's Mitigating Pre-existing Infrastructure Policy;
 - (d) include forecast costs for delivering the Visual Impact Mitigation Price Control Deliverable, with an expenditure profile for all Regulatory Years of delivery, and a breakdown of the total costs including incurred and forecast costs of preliminary development work to decide the feasibility of a Visual Impact Mitigation Price Control Deliverable;
 - (e) include analysis of any relevant issues in relation to the proposed Visual Impact Mitigation Price Control Deliverable that might reduce the feasibility of delivering the proposed Visual Impact Mitigation Price Control Deliverable or significantly increase the costs;
 - (f) include proposed timescales for delivery of the proposed Visual Impact Mitigation Price Control Deliverable; and
 - (g) include such further detailed supporting evidence as is reasonable in the circumstances.

Part E: Enhancing Pre-existing Infrastructure Projects (EPI_t)

- 3.10.14 The value of the term EPI_t is the sum of allowances in Appendix 3.
- 3.10.15 In the first Regulatory Year of the Price Control Period, the Authority will direct amendments to Appendix 3 to add the Enhancing Pre-existing Infrastructure Projects that the licensee has submitted to the Authority prior to the start of the Price Control Period and for which no Price Control Period allowance has been provided.

Part F: Cost And Output Adjusting Event

- 3.10.16 The licensee may apply to the Authority for a direction amending Appendix 1 or 3 where there has been a Cost And Output Adjusting Event if:
- (a) the following criteria are met:
 - (b) the licensee could not have economically and efficiently planned a contingency for the Cost And Output Adjusting Event;
 - (c) the Cost And Output Adjusting Event has caused expenditure to increase or decrease by at least 20% relative to the relevant allowance for the Visual Impact Mitigation Price Control Deliverable or Enhancing Pre-existing Infrastructure Project, or by at least such other percentage as the Authority directs; and
 - (d) the increase or decrease in expenditure is expected to be efficiently incurred or saved; or
 - (e) an event specified by the Authority in the direction that added the Visual Impact Mitigation Price Control Deliverable to Appendix 2 or added the Enhancing Pre-existing Infrastructure Project to Appendix 4 has occurred.
- 3.10.17 The percentage in paragraph 3.10.16(a)(ii) is calculated before the application of the Totex Incentive Strength.
- 3.10.18 Unless the Authority otherwise directs, the licensee must make the application under paragraph 3.10.16:
- (a) as soon as is reasonably practicable after the Cost And Output Adjusting Event has occurred; and
 - (b) in any event before the end of the period of three months beginning with the end of the Regulatory Year in which the Cost And Output Adjusting Event occurred.
- 3.10.19 An application under paragraph 3.10.16 must be made in writing and must:
- (a) include detailed supporting evidence that a Cost And Output Adjusting Event meeting the requirements set out in paragraph 3.10.16 has occurred;
 - (b) set out any amendments requested to Appendix 1 or Appendix 3;
 - (c) explain the basis of the calculation for any proposed adjustment to the allowances in Appendix 1 or Appendix 3, which must be designed to keep, so far as is reasonably practicable, the financial position and performance of the licensee the same as if the Cost And Output Adjusting Event had not occurred; and
 - (d) include a statement from a technical adviser, who is external to and independent from the licensee, whether, considered in the context of the value of the Visual Impact Mitigation Price Control Deliverable or Enhancing Pre-existing Infrastructure Project, the proposed adjustments fairly reflect the effects of the Cost And Output Adjusting Event.

Part G: Assessment of Visual Impact Mitigation Price Control Deliverable (VIMRO_t)

3.10.20 The Authority will, in accordance with the PCD Reporting Requirements and Methodology Document, consider directing a value for VIMRO_t where the licensee has not Fully Delivered an output in Appendix 1.

Part H: Authority’s process for making a direction

3.10.21 Before making a direction under paragraph 3.10.11, 3.10.15, 3.10.16 and 3.10.20 the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.10.22 A direction under paragraph 3.10.11 will set out:

- (a) any amendments to Appendix 1; and
- (b) any individual criteria for a Cost And Output Adjusting Event specific to that Visual Impact Mitigation Price Control Deliverable.

3.10.23 A direction under paragraph 3.10.15 will set out:

- (a) any amendments to Appendix 3; and
- (b) any individual criteria for a Cost And Output Adjusting Event specific to that Enhancing Pre-existing Infrastructure Project.

3.10.24 A direction under paragraph 3.10.16 will set out any amendments to Appendix 1 or 3.

3.10.25 A direction under paragraph 3.10.20 will set out the value of the VIMRO_t term and the Regulatory Years to which that adjustment relates.

Appendix 1

Visual Impact Mitigation Price Control Deliverable

Project name and Designated Area	Allowance (£m)					All years
	21/22	22/23	23/24	24/25	25/26	
	N/A	N/A	N/A	N/A	N/A	N/A

Project name	Output	Delivery date
--------------	--------	---------------

Appendix 2

Maximum value (£m) of the sum of VIME term for all Transmission Licensees during the Price Control Period

465

Appendix 3

Enhancing Pre-existing Infrastructure Project allowance

Project name and Designated Area	Allowance (£m)					All years
	21/22	22/23	23/24	24/25	25/26	
	N/A	N/A	N/A	N/A	N/A	N/A

Project name	Description of project	Delivery date
--------------	------------------------	---------------

Special Condition 3.11 Generation Connections volume driver (GCE_t)

Introduction

- 3.11.1 The purpose of this condition is to provide for the calculation of the term GCE_t (the Generation Connections volume driver term). This contributes to the calculation of the Totex Allowance.
- 3.11.2 The effect of this condition is to adjust revenue to fund the licensee for Generation Connection Capacity, overhead lines and underground cables delivered during the Price Control Period relative to baseline allowances.
- 3.11.3 This condition also adjusts revenue to fund the licensee for Generation Connection Capacity, overhead lines, and underground cables that the licensee forecasts it will deliver in the first two years of the next price control period starting on 1 April 2026.

Formula for calculating the Generation Connections volume driver term (GCE_t)

- 3.11.4 The value of GCE_t is derived in accordance with the following formula :

$$GCE_t = \sum_{p=2021/22}^{2027/28} VGCE_p \cdot PGCE_{t,p} + (TPG_t - TPRG_t)$$

where:

- | | |
|-------------------|---|
| t | means the Regulatory Year for which the allowed expenditure is calculated; |
| p | means the Regulatory Year in which the Generation Connection is delivered; |
| VGCE _p | is the generation connection volume driver allowance as derived in accordance with paragraph 3.11.5; and |
| TPG _t | means the total expenditure efficiently incurred in the Regulatory Year by the licensee in respect of Generation Connections where the Users reduce Generation Connection Capacity or terminate the relevant bilateral agreements prior to commencing use of the Generation Connection; |
| TPRG _t | means an amount equal to the actual income from termination receipts received, in the |

form of revenues or capital contributions, in respect of TPG_t in the Regulatory Year; and

$PGCE_{t,p}$

means the profiling factor of allowance in Regulatory Year t for Generation Connections delivered in Regulatory Year p , as set out in Appendix 1.

3.11.5 The value of $VGCE_p$ is derived in accordance with the following formula:

$$VGCE_p = GUC \cdot (AGC_p - BGC_p) + OHLGUC \cdot (ALOHL_p - BLOHL_p) + OHLRGUC \cdot (ALOHLR_p - BLOHLR_p) + CBLSGUC \cdot (ALCBLSp - BLCBLSp) + CBLLGUC \cdot (ALCBLL_p - BLCBLL_p) + GCONfix \cdot (AGCON_p - BGCON_p)$$

where:

GUC	means the Generation Connection Capacity unit cost allowance as set out in Appendix 2;
AGCp	means the actual Generation Connection Capacity in MW or MVA delivered in Regulatory Year p ;
BGCp	means the baseline Generation Connection Capacity in MW or MVA for Regulatory Year p , as set out in Appendix 3;
OHLGUC	means the new build overhead line activity unit cost allowance as set out in Appendix 2;
ALOHLp	means the actual length of new build overhead line activity in circuit kilometres commissioned as part of delivering the AGCp in Regulatory Year p ;
BLOHLp	means the baseline length of new build overhead line activity in circuit kilometres as part of delivering the BGCp in Regulatory Year p , as set out in Appendix 3;
OHLRGUC	means the unit cost allowance for overhead line reconductoring activity as set out in Appendix 2;
ALOHLRp	means the actual length of overhead line reconductoring activity in circuit kilometres commissioned as part of delivering the AGCp in Regulatory Year p ;
BLOHLRp	means the baseline length of overhead line reconductoring activity in circuit kilometres as part of delivering the BGCp in Regulatory Year p , as set out in Appendix 3;

CBLSGUC	means the unit cost allowance for underground cable less than 1km, as set out in Appendix 2;
ALCBLSp	means the actual length of new underground cable in circuit kilometres less than 1km commissioned as part of delivering the AGCp in Regulatory Year p;
BLCBLSp	means the baseline length of new underground cable in circuit kilometres less than 1km commissioned as part of delivering the BGCp in Regulatory Year p, as set out in Appendix 3;
CBLLGUC	means the unit cost allowance for underground cable equal to or greater than 1km as set out in Appendix 2;
ALCBLLp	means the actual length of new underground cable in circuit kilometres equal to or greater than 1km commissioned as part of delivering the AGCp in Regulatory Year p;
BLCBLLp	means the baseline length of new underground cable in circuit kilometres equal to or greater than 1km commissioned as part of delivering the BGCp in Regulatory Year p, as set out in Appendix 3;
GCONfix	means the fixed revenue for each new Generation Connection project delivered, as set out in Appendix 2;
AGCONp	means the actual number of Generation Connection projects delivered in Regulatory Year p; and
BGCONp	means the baseline number of Generation Connection projects delivered in Regulatory Year p, as set out in Appendix 3.

Appendix 1

Profiling factors (PGCE_{t,p})

p=year of delivery t=year of allowance	t=2021/22	t=2022/23	t=2023/24	t=2024/25	t=2025/26	t=2026/27	t=2027/28
p=2021/22	1	0	0	0	0	0	0
p=2022/23	0.75	0.25	0	0	0	0	0
p=2023/24	0.5	0.25	0.25	0	0	0	0
p=2024/25	0.25	0.25	0.25	0.25	0	0	0
p=2025/26	0	0.25	0.25	0.25	0.25	0	0
p=2026/27	0	0	0.25	0.25	0.25	0.25	0
p=2027/28	0	0	0	0.25	0.25	0.25	0.25

Appendix 2

Unit cost allowances for Generation Connection Capacity, overhead lines, underground cables, and delivered Generation Connection projects

GUC (£m/MW or MVA)	0.01
OHLGUC (£m/km)	0.411
OHLRGUC (£m/km)	0.232
CBLSGUC (£m/km)	1.82
CBLLGUC (£m/km)	0.54
GCONfix (£m)	1.7

Appendix 3

Baseline Generation Connection Capacity, length of overhead lines, length of underground cables, and delivered Generation Connection projects

Baseline values	Regulatory Year						
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
BGCp (MW or MVA)	1014.6	1120	190.5	0	0	0	0
BLOHLp (circuit km)	9.3	19.0	7.9	0	0	0	0
BLOHLRp (km)	0	0	0	0	0	0	0
BLCBLSp (km)	0.3	0.8	0	0	0	0	0
BLCBLLp (km)	1.0	0.0	4.3	0	0	0	0
BGCONp (#)	5	8	3	0	0	0	0

Special Condition 3.12 Demand Connections volume driver (DRI_t)

- 3.12.1 The purpose of this condition is to provide for the calculation of the term DRI_t (the Demand Connections volume driver term). This contributes to the calculation of the Totex Allowance.
- 3.12.2 The effect of this condition is to adjust revenue to fund the licensee for the delivery of Demand Connection Capacity, overhead lines and underground cables during the Price Control Period relative to baseline allowances.
- 3.12.3 This condition also adjusts revenue to fund the licensee for Demand Connection Capacity, overhead lines and underground cables that the licensee forecasts it will deliver in the first two years of the next price control period starting on 1 April 2026.

Part A: Formula for calculating the Demand Connections volume driver term

- 3.12.4 The value of DRI_t is derived in accordance with the following formula :

$$DRI_t = \sum_{p=2021/22}^{2027/28} VDRI_p \cdot PDCE_{t,p} + (TPD_t - TPRD_t)$$

where:

t	means the Regulatory Year for which the allowed expenditure is calculated;
p	means the Regulatory Year in which the Demand Connection is delivered;
$VDRI_p$	is the demand connection volume driver allowance as derived in accordance with paragraph 3.12.5;
TPD_t	means the total expenditure efficiently incurred in the Regulatory Year by the licensee in respect of Demand Connections where the Users terminate the relevant bilateral agreements prior to commencing use of the Demand Connection;
$TPRD_t$	means an amount equal to the actual income from termination receipts received, in the form of revenues or capital contributions, in respect of TPD_t in the Regulatory Year; and
$PDCE_{t,p}$	means the profiling factor of allowance in Regulatory Year t for Demand Connections delivered in Regulatory Year p, as set out in Appendix 1.

3.12.5 The value of $VDRIP$ is derived in accordance with the following formula:

$$\begin{aligned}
 VDRIP_p = & DUC \cdot (ADC_p - BDC_p) + OHL DUC \cdot (ALOHL D_p - BLOHL D_p) + OHL RDUC \\
 & \cdot (ALOHL RD_p - BLOHL RD_p) + CBLSDUC \cdot (ALCBLSD_p - BLCBLSD_p) \\
 & + CBLLDUC \cdot (ALCBLLD_p - BLCBLLD_p) + DCONfix \\
 & \cdot (ADCON_p - BDCON_p)
 \end{aligned}$$

where:

DUC	means the Demand Connection Capacity unit cost allowance as set out in Appendix 2;
ADC _p	means the actual Demand Connection Capacity in MW or MVA delivered in Regulatory Year p;
BDC _p	means the baseline Demand Connection Capacity in MW or MVA for Regulatory Year p, as set out in Appendix 3;
OHL DUC	means the new build overhead line activity unit cost allowance as set out in Appendix 2;
ALOHL D _p	means the actual length of new build overhead line activity in circuit kilometres commissioned as part of delivering the ADC _p in Regulatory Year p;
BLOHL D _p	means the baseline length of new build overhead line activity in circuit kilometres as part of delivering the BDC _p in Regulatory Year p, as set out in Appendix 3;
OHL RDUC	means the unit cost allowance for overhead line reconductoring activity as set out in Appendix 2;
ALOHL RD _p	means the actual length of overhead line reconductoring activity in circuit kilometres commissioned as part of delivering the ADC _p in Regulatory Year p;
BLOHL RD _p	means the baseline length of overhead line reconductoring activity in circuit kilometres as part of delivering the BDC _p in Regulatory Year p, as set out in Appendix 3;

CBLSDUC	means the unit cost allowance for underground cable less than 1km, as set out in Appendix 2;
ALCBLSDp	means the actual length of new underground cable in circuit kilometres less than 1km commissioned as part of delivering the ADCp in Regulatory Year p;
BLCBLSDp	means the baseline length of new underground cable in circuit kilometres less than 1km commissioned as part of delivering the BDCp in Regulatory Year p, as set out in Appendix 3;
CBLLDUC	means the unit cost allowance for underground cable equal to or greater than 1km as set out in Appendix 2;
ALCBLLDp	means the actual length of new underground cable in circuit kilometres equal to or greater than 1km commissioned as part of delivering the ADCp in Regulatory Year p;
BLCBLLDp	means the baseline length of new underground cable in circuit kilometres equal to or greater than 1km commissioned as part of delivering the BDCp in Regulatory Year p, as set out in Appendix 3;
DCONfix	means the fixed revenue for each new Demand Connection project delivered, as set out in Appendix 2;
ADCONp	means the actual number of Demand Connection projects delivered in Regulatory Year p; and
BDCONp	means the baseline number of Demand Connection projects delivered in Regulatory Year p, as set out in Appendix 3.

Appendix 1

Profiling factors (PDCE_{t,p})

p=year of delivery t= year of allowance	t=2021/2	t=2022/2	t=2023/2	t=2024/2	t=2025/2	t=2026/2	t=2027/2
p=2021/2	1	0	0	0	0	0	0
p=2022/2	0.75	0.25	0	0	0	0	0
p=2023/2	0.5	0.25	0.25	0	0	0	0
p=2024/2	0.25	0.25	0.25	0.25	0	0	0
p=2025/2	0	0.25	0.25	0.25	0.25	0	0
p=2026/2	0	0	0.25	0.25	0.25	0.25	0
p=2027/2	0	0	0	0.25	0.25	0.25	0.25

Appendix 2

Unit cost allowances for Demand Connection Capacity, overhead lines, underground cables, and delivered Demand Connection projects

BDC (£m/MW)	0.034
OHLDUC (£m/km)	0.411
OHLRDUC (£m/km)	0.232
CBLSDUC (£m/km)	1.82
CBLLDUC (£m/km)	0.54
DCONfix (£m)	1.7

Appendix 3: Baseline Demand Connection Capacity, length of overhead lines, length of underground cables, and delivered Demand Connection projects

Baseline values	Regulatory Year							
	2021/2	2022/2	2023/2	2024/2	2025/2	2026/2	2027/2	
BDCp (MW or MVA)	0	652	0	0	0	0	0	
BLOHLDp (km)	0	6	0	0	0	0	0	
BLOHLRDp (km)	0	36.62	0	0	0	0	0	

BLCBLSdp (km)	0	1.48	0	0.6	0	0	0
BLDCBLLDp (km)	0	0	0	0	0	0	0
BDCONp (#)	0	3	0	0	0	0	0

Special Condition 3.13 Large onshore transmission investment Re-opener (LOTIRE_t)

Introduction

- 3.13.1 The purpose of this condition is to specify the value of the terms LOTIA_t (the large onshore transmission investment allowance term) and LOTIRE_t (the large onshore transmission investment Re-opener term). These contribute to the calculation of the Totex Allowance.
- 3.13.2 The effect of this condition is to:
- (a) specify any LOTI Outputs, delivery dates and allowances;
 - (b) establish a Re-opener for the licensee to apply for an adjustment to its allowed expenditure where there is a need for additional investment in the licensee's Transmission System; and
 - (c) establish the LOTI Guidance and Submissions Requirements Document.
- 3.13.3 This condition also sets out the process the Authority will follow when directing any changes as a result of the Re-opener.

Part A: Formulae for calculating the large onshore transmission investment allowance term (LOTIA_t) and the large onshore transmission investment Re-opener term (LOTIRE_t)

- 3.13.4 The value of LOTIA_t is equal to the baseline allowances in Appendix 1.
- 3.13.5 The value of LOTIRE_t is the sum of allowances directed by the Authority in accordance with Parts B and G.

Part B: Costs within scope of this Re-opener and pre-application requirements

- 3.13.6 The licensee may, in respect of any LOTI, apply to the Authority for a Project Assessment Direction specifying a LOTI Output, a delivery date and associated allowances in Appendix 2.
- 3.13.7 Before applying for a Project Assessment Direction, the licensee must:
- (a) obtain approval of eligibility to apply as provided for in Part D, unless relieved of this requirement by the Authority by direction;

- (b) submit an Initial Needs Case to the Authority for consideration as provided for in Part E, unless relieved of this requirement by the Authority by direction; and
- (c) obtain the Authority's approval of a Final Needs Case as provided for in Part F.

Part C: LOTI Outputs

3.13.8 The licensee must deliver the LOTI Outputs specified in Appendix 2 by the delivery dates specified in Appendix 2.

Part D: Approval of eligibility to apply for a LOTI Output

3.13.9 Not less than three months prior to the licensee's intended date for submitting an Initial Needs Case, approval of eligibility to apply must be sought by way of written submission to the Authority, unless the Authority relieves the licensee of this requirement by direction, including statements setting out:

- (a) why the investment is a LOTI;
- (b) a brief description of the LOTI; and
- (c) if the licensee considers that the timings for the assessment of the LOTI should be different to the timings set out in Parts E or F, proposed alternative timings.

Part E: Initial Needs Case

3.13.10 If the Authority approves the eligibility of the project, or the Authority has relieved the licensee of the requirement to obtain approval of eligibility to apply, the licensee may submit an Initial Needs Case to the Authority for consideration.

3.13.11 An Initial Needs Case must be submitted:

- (a) not less than twelve months prior to the licensee's intended date for issuing its Final Statutory Planning Consultation; or
- (b) by such other date as the Authority may direct.

Part F: Final Needs Case

3.13.12 If the licensee has submitted an Initial Needs Case to the Authority in respect of which the Authority has published a response, or the Authority has relieved the licensee of the requirement to submit an Initial Needs Case by direction, the licensee may seek the Authority's approval of the Final Needs Case.

3.13.13 Unless the Authority otherwise directs, approval may only be sought after the licensee has secured all material planning consents.

Part G: Cost And Output Adjusting Event

3.13.14 The licensee may only apply to the Authority for a direction adjusting the LOTI Output, the delivery date or associated allowances in Appendix 2 where:

- (a) there has been one or more Cost And Output Adjusting Events; and
- (b) if the following requirements are met:
- (c) the licensee could not have reasonably foreseen the event or events;
- (d) the licensee could not have economically and efficiently planned a contingency for the event or events;
- (e) expenditure has been caused to increase or decrease by at least the percentage specified in, or in accordance with, paragraph 3.13.15, calculated before the application of the Totex Incentive Strength Rate, relative to the relevant allowance in Appendix 2 by the event, or, if there has been more than one event:
 - by each event; or
 - if the Authority has directed that the events in relation to the relevant LOTI Output should count cumulatively towards the percentage threshold, by the events; and
- (f) the increase or decrease in expenditure is expected to be efficiently incurred or saved.

3.13.15 The percentage referred to in paragraph 3.13.14 is:

- (a) 20%; or
- (b) such other percentage as the Authority may specify by direction.

3.13.16 Unless the Authority otherwise directs, the licensee must make any application no later than before the end of the period of three months beginning with the delivery date for the LOTI Output.

3.13.17 An application under paragraph 3.13.14 must be made in writing and must:

- (a) include detailed supporting evidence that a Cost And Output Adjusting Event meeting the requirements set out in paragraph 3.13.14 has occurred;
- (b) set out any amendments requested to the LOTI Output, the delivery date or associated allowances in Appendix 2;
- (c) explain the basis of the calculation for any proposed adjustment to the allowances in Appendix 2, which must be designed to keep, so far as is reasonably practicable, the financial position and performance of the licensee the same as if the Cost And Output Adjusting Event had not occurred; and
- (d) include a statement from a technical adviser, who is external to and independent from the licensee, whether, considered in the context of the value of the LOTI Output, the proposed adjustments to the LOTI Output, the delivery date or associated allowances fairly reflect the effects of the Cost And Output Adjusting Event.

Part H: What process will the Authority follow in making a direction?

- 3.13.18 Before initiating a Project Assessment Direction, the Authority will assess whether the contents of the proposed Project Assessment Direction are significantly different to the application submitted by the licensee under Part B.
- 3.13.19 In deciding whether the contents are significantly different, the Authority will have regard to the proposed LOTI Output, the delivery date and associated allowances.
- 3.13.20 If, having carried out the assessment in paragraph 3.13.18, the Authority considers that the proposed Project Assessment Direction is not significantly different to the application submitted by the licensee under Part B, it will proceed with making a Project Assessment Direction in accordance with paragraph 3.13.21. Otherwise, any amendments to the special conditions of this licence will be made under section 11A of the Act.
- 3.13.21 Before making a Project Assessment Direction or a direction under paragraph 3.13.14, the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction; and
 - (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.
- 3.13.22 A Project Assessment Direction will set out:
- (a) any amendments to Appendix 2; and
 - (b) any project-specific Cost And Output Adjusting Events.
- 3.13.23 A direction under paragraph 3.13.14 will set out any amendments to Appendix 2.

Part I: LOTI Guidance and Submissions Requirements Document

- 3.13.24 The licensee must comply with the LOTI Guidance and Submissions Requirements Document when making an application under Part B or Part G, seeking approval under Part D or Part F or making a submission under Part E.
- 3.13.25 The Authority will issue and amend the LOTI Guidance and Submissions Requirements Document by direction.
- 3.13.26 The Authority will publish the LOTI Guidance and Submissions Requirements Document on the Authority's Website.
- 3.13.27 The LOTI Guidance and Submissions Requirements Document will make provision about the detailed requirements for Parts B, D, E, F and G.
- 3.13.28 Before directing that the LOTI Guidance and Submissions Requirements Document comes into effect, the Authority will publish on the Authority's Website:

Special Condition 3.14 Medium Sized Investment Projects Re-opener and Price Control Deliverable (MSIPRE_t)

Introduction

- 3.14.1 The purpose of this condition is to calculate the MSIPRE_t (the Medium Sized Investment Projects Re-opener term). This contributes to the calculation of the Totex Allowance.
- 3.14.2 The effect of this condition is to:
- (a) specify the outputs, delivery dates and associated allowances for the Price Control Deliverable;
 - (b) establish a Re-opener for the licensee to trigger amendments to the Price Control Deliverable during the Price Control Period; and
 - (c) provide for an assessment of the Price Control Deliverable.
- 3.14.3 This condition also explains the process the Authority will follow when directing any changes under paragraphs 3.14.6 and 3.14.11.

Part A: Formula for calculating the Medium Sized Investment Projects Re-opener term (MSIPRE_t)

- 3.14.4 The value of MSIPRE_t is derived in accordance with the following formula:

$$MSIPRE_t = MSIPO_t - MSIPRO_t$$

where:

MSIPO_t means the sum of allowances directed by the Authority as a result of this Re-opener; and

MSIPRO_t has the value zero unless otherwise directed by the Authority in accordance with Part F.

Part B: What is the licensee funded to deliver?

- 3.14.5 Appendix 1 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Medium Sized Investment Projects Re-opener

- 3.14.6 The licensee may apply to the Authority for a direction amending the outputs, delivery dates or associated allowances in Appendix 1 in relation to one or more of the following activities:
- (a) a Generation Connection project, including all infrastructure related to that project, the forecast costs of which are at least £4.24m more or less than the level that could be provided for under Special Condition 3.11 (Generation Connections volume driver);

- (b) a Demand Connection project, including all infrastructure related to that project, the forecast costs of which are at least £4.24m more or less than the level that could be provided for under Special Condition 3.12 (Demand Connection volume driver);
- (c) a Boundary Reinforcement Project that has received a NOA Proceed Signal in the most recent NOA;
- (d) a Flooding Defence Project, the purpose of which is to follow:
 - i. updates to the Energy Networks Association's report titled 'Engineering Technical Report (ETR138)' guidance on flooding; or
 - ii. a request from government, or a body which has responsibility for flood prevention, to protect sites from flooding;
- (e) a Black Start Project following the publication by government of a new Black Start Standard, published on or after 1 February 2021;
- (f) a system operability or constraint management project that has been requested by the System Operator;
- (g) projects that are needed in order to meet NETS SQSS requirements regarding security and system operability;
- (h) Harmonic Filtering projects that are needed following:
 - i. requests from the licensee's customers to aggregate and deliver Harmonic Filtering requirements; or
 - ii. system studies by the System Operator or the licensee showing a need for additional Harmonic Filtering on the National Electricity Transmission System;
- (i) protection projects that are required following:
 - i. system studies by the System Operator or the licensee showing a need for changes to the protection settings or replacement of protection relay with inadequate range;
 - ii. system studies by the System Operator or the licensee showing a need for dynamic line ratings; or
 - iii. system studies by the System Operator or the licensee showing a need for an operational intertrip;
- (j) data transformation and improvement projects, to meet requests from stakeholders and recommendations from industry data working groups; and
- (k) SF6 asset interventions, where the licensee can demonstrate a well-justified intervention plan.

Part D: When to make an application

3.14.7 The licensee may only apply to the Authority for an adjustment under paragraph 3.14.6 Between:

- (a) 24 April 2021 and 30 April 2021;

- (b) 25 January 2022 and 31 January 2022
- (c) 25 January 2023 and 31 January 2023;
- (d) 25 January 2024 and 31 January 2024; and
- (e) 25 January 2025 and 31 January 2025.

3.14.8 In relation to an application under paragraph 3.14.6(k) the licensee may only apply once during the Price Control Period.

Part E: How to make an application

3.14.9 An application under paragraph 3.14.6 must be made in writing to the Authority and include:

- (a) a statement setting out what Medium Sized Investment Project the application relates to;
- (b) any amendments requested to the outputs, delivery dates or allowances in Appendix 1;
- (c) a detailed justification of the technical need and, where relevant, the consumer benefit that the Medium Sized Investment Project that the application relates to is expected to deliver; and
- (d) an explanation of the basis of the calculation any amendments requested to allowances.

3.14.10 An application under paragraph 3.14.6 must:

- (a) take account of any expenditure, which can be avoided as a result of the change;
- (b) relate to costs incurred or expected to be incurred that exceed the Materiality Threshold, but are less than £100m; and
- (c) be confined to costs incurred or expected to be incurred on or after 1 April 2021.

Part F: Assessment of the Price Control Deliverable (MSIPRO_t)

3.14.11 The Authority will, in accordance with the PCD Reporting Requirements and Methodology Document, consider directing a value for MSIPRO_t where the licensee has not Fully Delivered an output in Appendix 1.

Part G: What process will the Authority follow in making a direction?

3.14.12 Before making a direction under paragraph 3.14.6 or 3.14.11, the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.14.13 A direction under paragraph 3.14.6 will set out any amendments to Appendix 1.

3.14.14 A direction under paragraph 3.14.11 will set out the value of the MSIPRO_t term and the Regulatory Years to which the adjustments relate.

Appendix 1

Medium Sized Investment Project Price Control Deliverable (£m)

		Regulatory Year						
MSIP project	Output Delivery date	2021/22	2022/23	2023/24	2024/25	2025/26	Total	
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	

Special Condition 3.15 Pre-Construction Funding Re-opener and Price Control Deliverable (PCF_t and PCFRE_t)

Introduction

3.15.1 The purpose of this condition is to calculate the term PCF_t (the Pre-Construction Funding Price Control Deliverable term) and PCFRE_t (the Pre-Construction Funding Re-opener term). These contribute to the calculation of the Totex Allowance.

3.15.2 The effect of this condition is to:

- (a) specify the outputs, delivery dates and associated allowances for the Price Control Deliverable; and
- (b) establish a Re-opener for the licensee to trigger where it expects to incur costs for Pre-Construction Works in relation to a LOTI.

3.15.3 This condition also sets out the process the Authority will follow when directing any changes under paragraphs 3.15.6 and 3.15.9.

Part A: Formulae for calculating the Pre-Construction Funding Price Control Deliverable term (PCF_t) and the Pre-Construction funding Re-opener term (PCFRE_t)

3.15.4 The value of PCF_t is derived in accordance with the following formula:

$$PCF_t = PCFA_t - PCFRA_t$$

where:

PCFA_t means the baseline allowances in Appendix 1; and

PCFRA_t has the value zero unless otherwise directed by the Authority in accordance with Part D.

3.15.5 The value of $PCFRE_t$ is derived in accordance with the following formula:

$$PCFRE_t = PCFO_t - PCFRO_t$$

where:

$PCFO_t$ means the sum of allowances directed by the Authority as a result of the Re-opener established by Part C; and

$PCFRO_t$ has the value zero unless otherwise directed by the Authority in accordance with Part D.

Part B: What the licensee is funded to deliver?

3.15.6 Appendix 2 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Pre-Construction Funding Re-opener

3.15.7 The licensee may apply to the Authority for a direction amending the outputs, delivery dates or associated allowances in Appendix 2 where:

- (a) the licensee expects to incur costs for Pre-Construction Works that are not already specified as outputs in Appendix 2; or
- (b) the licensee expects that the costs of Pre-Construction Works specified as outputs in Appendix 2 will be more than double the allowance provided for those Pre-Construction Works.

3.15.8 The licensee may only apply to the Authority under paragraph 3.15.7 when submitting an Initial Needs Case for the relevant LOTI, unless the Authority directs that the licensee may apply at another time.

3.15.9 An application under paragraph 3.15.7 must be made in writing and include:

- (a) a breakdown of what Pre-Construction Works are expected to be undertaken;
- (b) an overview of the LOTI to which the Pre-Construction Works relate;
- (c) a justification of why the Pre-Construction Works are required; and
- (d) any amendments requested to the outputs, delivery dates or allowances set out in Appendix 2.

Part D: Assessment of outputs Price Control Deliverable ($PCFRA_t$ and $PCFRO_t$)

3.15.10 The Authority will, in accordance with the PCD Reporting Requirements and Methodology Document and the principles in paragraph 3.15.11, consider directing a value for $PCFRA_t$ and $PCFRO_t$ where the licensee has not Fully Delivered an output in Appendix 2.

3.15.11 The principles mentioned in paragraph 3.15.10 are:

Case
approval
of E2DC:
Torness -
Hawthorn
Pit;
Eastern
subsea
HVDC
link

N/A							
N/A							

Special Condition 3.16 Access Reform Change Re-opener (ARR_t)

Introduction

- 3.16.1 The purpose of this condition is to calculate adjustments to the term ARR_t (the Access Reform Change Re-opener term). This contributes to the calculation of the Totex Allowance.
- 3.16.2 The effect of this condition is to establish a Re-opener triggered by the Authority to make appropriate adjustments to reflect the impact of an Access Reform Change on:
- (a) the value of ARR_t (the Access Reform Re-opener term);
 - (b) the values of the terms in Special Condition 3.11 (Generation Connections volume driver); and
 - (c) the values of the terms in Special Condition 3.12 (Demand Connections volume driver).
- 3.16.3 This condition also explains the process the Authority will follow when directing any amendments as a result of the Re-opener.

Part A: What is the scope of this Re-opener?

- 3.16.4 The Authority will consider directing adjustments to the values of the ARR_t term, the terms in Special Conditions 3.11 and 3.12, where:
- (a) an Access Reform Change has occurred;
 - (b) the Authority has evidence that it is likely the Access Reform Change will lead to a reduction in the cost of Licensed Activity; and
 - (c) the effect, or estimated effect, of the Access Reform Change on the cost of Licensed Activity exceeds the Materiality Threshold.
- 3.16.5 The Authority will not make adjustments under paragraph 3.16.4 to the value of the ARR_t term, or the terms in Special Conditions 3.11 and 3.12 in relation to

connection projects that are the subject of an agreement with the System Operator entered into prior to the date of the Authority's direction.

- 3.16.6 Where the application of paragraph 3.16.5 makes it necessary, the Authority will direct amendments to the formulae in Special Conditions 3.11 and 3.12 to provide for more than one unit cost in a single Regulatory Year.

Part B: What process will the Authority follow in making a direction?

- 3.16.7 Before making a direction under paragraph 3.16.4 or 3.16.6 the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

- 3.16.8 A direction under paragraph 3.16.4 will set out:

- (a) any adjustments to the values of the ARR_t term and the Regulatory Years to which that adjustment relates; and
- (b) any amendments to values of the terms in Special Conditions 3.11 and 3.12 and where relevant the Regulatory Years to which those amendments relate.

- 3.16.9 A direction under paragraph 3.16.6 will set out the amendments to the formulae in Special Conditions 3.11 and 3.12.

Special Condition 3.17 Shared schemes Price Control Deliverable (SS_t)

Introduction

- 3.17.1 The purpose of this condition is to calculate the term SS_t (the shared schemes Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.
- 3.17.2 This condition specifies the outputs, delivery dates and associated allowances for the Price Control Deliverable.
- 3.17.3 This condition also explains the process the Authority will follow when assessing the Price Control Deliverable.

Part A: Formula for calculating the shared schemes Price Control Deliverable term (SS_t)

- 3.17.4 The value of SS_t is derived in accordance with the following formula:

$$SS_t = SSA_t - SSR_t$$

where:

SSA_t means the sum of allowances in Appendix 1; and

SSR_t has the value zero unless otherwise directed by the Authority in accordance with Part C.

Part B: What is the licensee funded to deliver?

3.17.5 Appendix 1 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Assessment of outputs (SSR_t)

3.17.6 The Authority will, in accordance with the PCD Reporting Requirements and Methodology Document, consider directing a value for SSR_t where the licensee has not Fully Delivered an output in Appendix 1.

Part D: What process will the Authority follow in making a direction?

3.17.7 Before making a direction under paragraph 3.17.6 the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.17.8 The direction will set out the value of the SSR_t term and the Regulatory Years to which that adjustment relates.

Appendix 1

Shared schemes Price Control Deliverable Allowance

Scheme Name	Output	Delivery Date	Allowance (£m)					All year s
			21/22	22/23	23/24	24/25	25/26	
U and AT route uprating	Uprating of overhead line route between Galashiels and Eccles 132kV substation and replacement of the 132kV underground cable sections. Works to include foundation, structure and insulator repairs.	31 March 2024	2.90	2.57	0.96	0.02	0.02	6.48
Gretna-Ewe Hill overhead line replacement	224MVA: Uprating of overhead line between Gretna and Ewe Hill 132kV substations using high-temperature low-sag conductor. Associated cable section to also be uprated.	31 March 2023	3.07	1.83	0.02	0.02	0.02	4.96

Special Condition 3.18 Resilience and operability Price Control Deliverable (RO_t)

Introduction

- 3.18.1 The purpose of this condition is to calculate the term RO_t (the resilience and operability Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.
- 3.18.2 This condition specifies the outputs, delivery dates and associated allowances for the Price Control Deliverable.
- 3.18.3 This condition also explains the process the Authority will follow when assessing the Price Control Deliverable.

Part A: Formula for calculating the resilience and operability Proposals Price Control Deliverable term (RO_t)

- 3.18.4 The value of RO_t is derived in accordance with the following formula:

$$RO_t = ROA_t - ROR_t$$

where:

ROA_t means the sum of allowances in Appendix 1; and

ROR_t has the value zero unless otherwise directed by the Authority in accordance with Part C.

Part B: What is the licensee funded to deliver?

- 3.18.5 Appendix 1 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Assessment of outputs (ROR_t)

- 3.18.6 The Authority will, in accordance with the PCD Reporting Requirements and Methodology Document, consider directing a value for ROR_t where the licensee has not Fully Delivered an output in Appendix 1.

Part D: What process will the Authority follow in making a direction?

- 3.18.7 Before making a direction under paragraph 3.18.6, the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction; and
 - (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.18.8 The direction will set out the value of the ROR_t term and the Regulatory Years to which that adjustment relates.

Appendix 1

Resilience and operability Price Control Deliverable

Scheme Name	Output	Delivery Date	Allowance (£m)					All years
			21/22	22/23	23/24	24/25	25/26	
Operability (shunt reactors and STATCOMS)	Installation of 515MVAR of reactors and STATCOMs: 1. Gretna, 1x60MVAR shunt reactor 2. Coalburn, 1x60 MVAR shunt reactor 3. Strathaven, 2x60MVAR shunt reactors 4. Hunterston, 1x200MVar Reactor 5. Markill, 1x(+/-) 75MVar STATCOM	31 March 2026	2.40	6.37	12.40	5.40	0.10	26.67
Harmonic Filtering equipment	Installation of harmonic filters at six locations on the licensee's 132kV network. The harmonic filters are as far as reasonably possible to be installed at the following sites: 1. Black Hill, 1x20MVAR 2. New Cumnock, 1x20MVAR 3. Newton Stewart, 1x20MVAR 4. Margree, 1x20MVAR 5. Moffat, 1x20MVAR 6. Linnmill, 1x20VAR.	31 December 2026	1.75	6.37	7.06	3.91	3.25	22.34

Generation energy management scheme (GEMS)	Installation of system to provide dynamic control of generation power flows on the National Electricity Transmission System and the Distribution System in accordance with the commercial arrangements in place.	31 December 2022	6.72	0.88	0.03	0.03	0.03	7.69
Blackstart	Provision of point on wave switching at 30 designated locations across the licensee's network and increased network flexibility.	31 March 2026	3.27	2.52	2.14	1.41	1.21	10.55
Circuit Rating Management System	Installation of the circuit ratings management system and evidence of the benefits provided.	31 March 2026	1.55	1.19	1.19	0.47	0.02	4.41
Torness 275kV reactor replacement	2 275kV Reactor replacements at Torness substation	31 March 2026	2.33	4.90	0.09	-	-	7.32
SF6 driven circuit breaker replacements	Post attempted repair replacement of 6 circuit breakers's driven by SF6 leakage rates. Glenluce 33kV circuit breaker Grid 2 Mossmorran 132kV circuit breaker 120 Devonside 132kV circuit breaker 120	31 March 2026	0.13	0.13	0.13	0.13	0.13	0.64

Eccles 132kV circuit
breakers 205 and
280
Smeaton 275kV
circuit breaker S40

Special Condition 3.19 Enhanced Environmental Requirements use it or lose it allowance (EER_t)

Introduction

3.19.1 The purpose of this condition is to calculate the term EER_t (the enhanced environmental requirements term). This contributes to the calculation of the Totex Allowance.

3.19.2 The effect of this condition is to:

- (a) specify the associated allowance for the enhanced environmental requirements;
- (b) require the licensee to submit an Enhanced Environmental Requirements Evaluation Report after the Price Control Period; and
- (c) provide for a Use It Or Lose It Adjustment

3.19.3 This condition also explains the process the Authority will follow when directing any changes under paragraph 3.19.7.

Part A: Formula for calculating the enhanced environmental requirements term (EER_t)

3.19.4 The value of EER_t is derived in accordance with the following formula:

$$EER_t = EERA_t - EERR_t$$

where:

EERA_t means the allowances in Appendix 1; and

EERR_t has the value zero unless otherwise directed by the Authority in accordance with Part C.

Part B: Requirement to submit an Enhanced Environmental Requirements Evaluation Report

3.19.5 The licensee must submit to the Authority an Enhanced Environmental Requirements Evaluation Report by 31 July 2026.

3.19.6 The Enhanced Environmental Requirements Evaluation Report must include:

Special Condition 3.20 Not used

Special Condition 3.21 Not used

Special Condition 3.22 Not used

Special Condition 3.23 Not used

Special Condition 3.24 Not used

Special Condition 3.25 Not used

Special Condition 3.26 Not used

Special Condition 3.27 Not used

Special Condition 3.28 Not used

Special Condition 3.29 Uncertain non-load related projects Re-opener and Price Control Deliverable (UNLR_t)

Introduction

3.29.1 The purpose of this condition is to calculate the term UNLRE_t (the uncertain non-load related projects Re-opener term). This contributes to the calculation of the Totex Allowance.

3.29.2 The effect of this condition is to:

- (a) establish a Re-opener triggered by the licensee where there is a need to undertake one or more of the non-load related projects in Appendix 1;
- (b) specify the outputs, delivery dates and associated allowances for the Price Control Deliverable; and
- (c) provide for an assessment of the Price Control Deliverable.

3.29.3 This condition also explains the process the Authority will follow when directing under paragraphs 3.29.6 and 3.29.10.

Part A: Formula for calculating the uncertain non-load related projects Re-opener term (UNLR_t)

3.29.4 The value of UNLR_t is derived in accordance with the following formula:

$$UNLRE_t = UNLO_t - UNLRO_t$$

where:

$UNLO_t$ means the sum of allowances directed by the Authority as a result of the Re-opener established by Part C; and

$UNLRO_t$ has the value zero unless otherwise directed by the Authority in accordance with Part D.

Part B: What is the licensee funded to deliver?

3.29.5 Appendix 2 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Uncertain non-load related projects Re-opener

3.29.6 The licensee may apply to the Authority for a direction amending the outputs, delivery dates and associated allowances in Appendix 2 where there is a need to undertake work in relation to an uncertain non-load related project in Appendix 1.

3.29.7 The licensee may only apply to the Authority under paragraph 3.29.6 Between:

- (a) 24 April 2021 and 30 April 2021;
- (b) 25 January 2022 and 31 January 2022;
- (c) 25 January 2023 and 31 January 2023;
- (d) 25 January 2024 and 31 January 2024, and
- (e) 25 January 2025 and 31 January 2025.

3.29.8 An application under paragraph 3.29.6 must be made in writing to the Authority and include:

- (a) a statement of which uncertain non-load related projects in Appendix 1 the application relates to;
- (b) the amendments being sought to the outputs, delivery dates and associated allowances in Appendix 2;
- (c) an explanation of the basis of the calculations for any amendments requested to allowances; and
- (d) detailed supporting evidence, which must include a needs case, detailed justification of the technical need for the project, and detailed justification of the consumer benefit that the project is expected to deliver.

3.29.9 An application under paragraph 3.29.6 must relate to costs incurred or expected to be incurred on or after 1 April 2021.

Part D: Assessment of the uncertain non-load related projects Price Control Deliverable($UNLRO_t$)

3.29.10 The Authority will, in accordance with the PCD Reporting Requirements and Methodology Document, consider directing a value for $UNLRO_t$ where the licensee has not Fully Delivered an output in Appendix 2

Part E: What process will the Authority follow in making a direction?

3.29.11 Before making a direction under paragraph 3.29.6 or 3.29.10, the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.29.12 A direction under paragraph 3.29.6 will set out any amendments to Appendix 2.

3.29.13 A direction under paragraph 3.29.10 will set out the value of the UNLRO_t term and the Regulatory Years to which that adjustment relates.

Appendix 1

Uncertain non-load related projects

Project reference	Project name
SPNLT2034	Westfield 275kV switchgear replacement (includes future 400kV upgrade)
SPNLT2063	Longannet 275kV series reactors refurbishment
SPNLT2099	Longannet 275kV switchgear replacement (includes future 400kV upgrade)
SPNLT20111	XH & XJ Routes 400kV Major Refurbishment
SPNLT20112	Currie-Gorgie 132kV Cable Replacement
SPNLT20113	Cable Sealing End Proactive Programme

Appendix 2

Uncertain non-load related projects Price Control Deliverable

Project name	Output	Delivery date	Allowance (£m)					Total Allowance (All years)
			21/22	22/23	23/24	24/25	25/26	
			N/A	N/A	N/A	N/A	N/A	N/A

Special Condition 3.30 Not used

Special Condition 3.31 Not used

Special Condition 3.32 Not used

Special Condition 3.33 Not used

Special Condition 3.34 Not used

Special Condition 3.35 Not used

Special Condition 3.36 Opex escalator (OE_t)

Introduction

3.36.1 The purpose of this condition is to calculate the term OE_t (the opex escalator term). This contributes to the calculation of the Totex Allowance.

3.36.2 The effect is to provide an additional allowance for operating expenditure where capital expenditure has been provided under particular uncertainty mechanisms.

Part A: Formula for calculating the opex escalator term (OE_t)

3.36.3 The value of OE_t is derived in accordance with following formula:

$$OE_t = NOCA_t + CAIA_t$$

where:

$NOCA_t$ is the network operating costs uplift allowance derived in accordance with paragraph 3.36.4; and

$CAIA_t$ is the closely associated indirect uplift allowance derived in accordance with paragraph 3.36.5.

3.36.4 The value of $NOCA_t$ is derived in accordance with the following formula:

$$NOCA_t = \sum_i [('2025/26' - t + 1) \cdot 0.5\% \cdot UMTERMA_{i,t}]$$

where:

i refers to an individual project;

$('2025/26' - t + 1)$ means the number of Regulatory Years remaining in the Price Control Period, including Regulatory Year t ; and

$UMTERMA_{i,t}$ is the total direct capex allowance for project i , energising in Regulatory Year t , provided by the following terms:

- GCE_t in Special Condition 3.11 (Generation Connections volume driver);
- DRI_t in Special Condition 3.12 (Demand Connections volume driver);
- $LOTIRE_t$ in Special Condition 3.13 (Large onshore transmission investment Re-opener); and
- $MSIPRE_t$ in Special Condition 3.14 (Medium Sized Investment Projects Re-opener and Price Control Deliverable).

3.36.5 The value of $CAIA_t$ is derived in accordance with the following formula:

$$CAIA_t = 73.4\% \cdot BCAI \cdot \frac{UMTERMB_t}{BCAPEX}$$

where:

$UMTERMB_t$ is derived in accordance with paragraph 3.36.6;

$BCAI$ means the baseline allowance for closely associated indirect opex and has the value £165.1m; and

$BCAPEX$ means the baseline allowance for capex and has the value £902.8m.

3.36.6 The value of $UMTERMB_t$ is derived in accordance with the following formula:

$$UMTERMB_t = UNLRE_t + VIMRE_t + GCE_t + DRI_t + LOTIRE_t + MSIPRE_t$$

where

$VIMRE_t$ is derived in accordance with Part A of Special Condition 3.10 (Visual Impact Mitigation Re-opener and Price Control Deliverable and Enhancing Pre-existing Infrastructure Projects allowance);

GCE_t is derived in accordance with Part A of Special Condition 3.11 (Generation Connections volume driver);

DRI_t is derived in accordance with Part A of Special Condition 3.12 (Demand Connections volume driver);

$LOTIRE_t$ has the meaning given in Part A of Special Condition 3.13 (Large onshore transmission investment Re-opener);

$MSIPRE_t$ is derived in accordance with Part A of Special Condition 3.14 (Medium Sized Investment Projects Re-opener and Price Control Deliverable); and

$UNLRE_t$ is derived in accordance with Part A of Special Condition 3.29 (Uncertain non-load related projects Re-opener).

Special Condition 3.37 Entry and exit connection asset allowance (EECA_t)

Introduction

- 3.37.1 The purpose of this condition is to provide for the calculation of the term EECA_t (the entry and exit connection asset allowance term). This contributes to the calculation of the Totex Allowance.
- 3.37.2 The effect of this condition is to adjust the Totex Allowance to fund the licensee for the net cost of Transmission Connection Assets delivered during the Price Control Period.

Part A: Formula for calculating the entry and exit connection asset allowance term (EECA_t)

- 3.37.3 The value of EECA_t is derived in accordance with the following formula:

$$EECA_t = EECE_t + EECC_t$$

where:

EECE_t means the actual expenditure on Transmission Connection Assets excluding expenditure on Transmission Connection Infrastructure;
and

EECC_t means any capital contribution from Users relating to Transmission Connection Assets.

Special Condition 3.38 Not used

Special Condition 3.39 Not used

Chapter 4: Output Delivery Incentives

Special Condition 4.1 Total output delivery incentive performance

Introduction

4.1.1 The purpose of this condition is to calculate ODI_t (the output delivery incentives term). This contributes to the calculation of Calculated Revenue in Special Condition 2.1 (Revenue restriction).

Part A: Formula for calculating total output delivery incentive performance

4.1.2 The value of ODI_t is derived in accordance with the following formula:

$$ODI_t = ENSI_t + IIGI_t + CONADJ_t + QCSt + ESIt + SOTO_t$$

where:

- $ENSI_t$ is derived in accordance with Special Condition 4.2 (Energy not supplied output delivery incentive);
- $IIGI_t$ is derived in accordance with Special Condition 4.3 (Insulation and interruption gas emissions output delivery incentive);
- $CONADJ_t$ has the value zero unless the Authority directs otherwise in accordance with Special Condition 4.4 (Timely connections satisfaction survey output delivery incentive);
- $QCSt$ is derived in accordance with Special Condition 4.5 (Quality of connections satisfaction survey output delivery incentive);
- $ESIt$ is derived in accordance with Special Condition 4.6 (Environmental scorecard output delivery incentive); and
- $SOTO_t$ is derived in accordance with Special Condition 4.7 (SO-TO optimisation output delivery incentive).

Special Condition 4.2 Energy not supplied output delivery incentive ($ENSI_t$)

Introduction

4.2.1 The purpose of this condition is to provide for the calculation of the term $ENSI_t$ (the energy not supplied output delivery incentive term). This contributes to the calculation of the term ODI_t (the output delivery incentives term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).

4.2.2 The effect of this incentive is to reward or penalise the licensee's performance in relation to Incentivised Loss of Supply Events.

4.2.3 This condition also places obligations on the licensee:

- (a) to maintain and use best endeavours to comply with the ENS Incentive Methodology Statement;
- (b) in relation to the notification and treatment of ENS Exceptional Events; and
- (c) in relation to Incentivised Loss of Supply Events.

Part A: Formula for calculating the energy not supplied output delivery incentive term (ENSI_t)

4.2.4 The value of the term ENSI_t is derived in accordance with the following formula:

$$ENSI_t = \max[VOLL \cdot TIS(ENST_t - ENSA_t), -RIDPA \cdot EABR]$$

where:

- VOLL means the value of lost load which has the value £21,008 per MWh;
- TIS means the Totex Incentive Strength;
- ENST_t means the Incentivised Loss of Supply Events volume target and has the value of 130MWh;
- ENSA_t means the sum volume of all Incentivised Loss of Supply Events as calculated by the licensee in accordance with this condition;
- RIDPA means the maximum downside percentage adjustment, and has the value 1.9 per cent; and
- EABR means Ex-Ante Base Revenue.

Part B: ENS Incentive Methodology Statement

- 4.2.5 The licensee must have in place an ENS Incentive Methodology Statement approved by the Authority
- 4.2.6 When preparing the ENS Incentive Methodology Statement, the licensee must have regard to:
 - (a) the approaches taken by the other Transmission Licensees subject to a condition of equivalent effect to this condition; and
 - (b) the NETS SQSS.
- 4.2.7 The licensee must use its best endeavours to apply the methodology in the ENS Incentive Methodology Statement.
- 4.2.8 The licensee, in consultation with the other Transmission Owners in whose licence a condition equivalent to this one has effect, must from time to time and at least once during the Price Control Period, review and propose any revisions to the ENS Incentive Methodology Statement as may be necessary in order to

ensure that it continues to enable the reasonable estimation of the volume of Incentivised Loss of Supply Events.

4.2.9 Before revising the ENS Incentive Methodology Statement, the licensee must provide a copy of the proposed revisions to the Authority.

4.2.10 The Authority will:

- (a) approve the proposed revisions;
- (b) reject the proposed revisions; or
- (c) reject the proposed revisions and give recommendations as to alternative revisions that it considers should be made.

4.2.11 The Authority may direct changes to the value of the $ENST_t$ term in any Regulatory Year as a result of any proposed revisions to the ENS Incentive Methodology Statement in order to ensure as far as possible that the measured performance of the licensee against this incentive is the same as if the revision to that statement had not taken place.

Part C: Amendment of $VOLL_t$

4.2.12 The Authority may direct that the term $VOLL_t$ be changed once during the Price Control Period in order to ensure as far as possible that it best reflects customers' valuation of reliable electricity supply.

Part D: Notification and treatment of ENS Exceptional Events

4.2.13 Where the licensee considers that an ENS Exceptional Event has wholly or partly caused energy not to be supplied to a customer, the licensee must:

- (a) notify the Authority of that event as soon as reasonably practicable, but at the latest before the end of the period of 14 days beginning with the date of the event;
- (b) except where the Authority otherwise consents, during the period of 30 days beginning with the date of notification under sub-paragraph (a), provide to the Authority:
 - (i) details of the volume of energy not supplied that it considers resulted from the ENS Exceptional Event; and
 - (ii) any evidence available which demonstrates that the event was not attributable to any error on the licensee's part; and
 - (iii) any evidence available that the licensee took reasonable preventative and mitigating actions before and after the event, to limit the effect of the ENS Exceptional Event and to restore supplies quickly and efficiently.

4.2.14 Where an ENS Exceptional Event occurs, the Authority will consider directing an adjustment to the value of the $ENSA_t$ term.

Part E: Licensee's obligations in respect of Incentivised Loss of Supply Events

- 4.2.15 The licensee must use its reasonable endeavours to:
- (a) prevent Incentivised Loss of Supply Events;
 - (b) mitigate the impact after any such event to limit its effect; and
 - (c) restore supplies quickly and efficiently after such an event, having due regard to safety and other relevant legal obligations.

Part F: Process for issuing directions

- 4.2.16 Before issuing a direction under paragraphs 4.2.11, 4.2.12 or 4.2.14, the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the reasons why it proposes to issue the direction; and
 - (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

Special Condition 4.3 Insulation And Interruption Gas emissions output delivery incentive (IIGI_t)

Introduction

- 4.3.1 The purpose of this condition is to calculate the term IIGI_t (the Insulation And Interruption Gas emissions output delivery incentive term). This contributes to the calculation of the term ODI_t (the output delivery incentives term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 4.3.2 The effect of this incentive is to reward or penalise the licensee to reflect its performance in relation to Insulation And Interruption Gas emissions from assets forming part of the licensee's Transmission System as compared against the calculated baseline target emissions.
- 4.3.3 This condition also places obligations on the licensee:
- (a) to maintain and use its best endeavours to comply with the IIG Methodology Statement; and
 - (b) in relation to the notification and treatment of IIG Exceptional Events.

Part A: Formula for calculating the Insulation And Interruption Gas emissions output delivery incentive term (IIGI_t)

- 4.3.4 The value of IIGI_t is derived in accordance with the following formula:

$$IIGI_t = (CTE_t - ALE_t) \cdot NTPC_t \cdot TIS_t$$

where:

CTE _t	means the calculated baseline target Insulation And Interruption Gas emissions in tonnes CO ₂ e from assets forming part of the licensee's Transmission System, which is derived in accordance with paragraph 4.3.5;
ALE _t	means the actual Insulation And Interruption Gas emissions in tonnes of CO ₂ e from assets forming part of the licensee's Transmission System as calculated by the licensee in accordance with this condition;
NTPC _t	means the relevant central non-traded price per tonne of CO ₂ e as set out in the Green Book Supplementary Guidance; and
TIS _t	means the Totex Incentive Strength.

4.3.5 The value of CTE_t is derived in accordance with the following formula:

$$CTE_t = BASE + \sum_{t=2021/22}^t (ADD_t - DSP_t - SFADJ_t)$$

where:

BASE	means the licensee's baseline Insulation And Interruption Gas emissions in tonnes CO ₂ e and is calculated with respect to the Regulatory Year 2021/22 by multiplying the licensee's IIG Inventory at the end of RIIO-ET1 by 0.79%;
ADD _t	means the Insulation And Interruption Gas emissions in tonnes CO ₂ e from new assets added to the licensee's Transmission System as calculated in accordance with this condition. For an asset added during Regulatory Year t, a proportion of the annual emissions should be calculated based on the number of quarters of the Regulatory Year t during which it formed part of the licensee's Transmission System;
DSP _t	means the reduction in Insulation And Interruption Gas emissions in tonnes CO ₂ e from assets decommissioned from service on the licensee's Transmission System as calculated in accordance with this condition. For an asset removed during Regulatory Year t, a proportion of the annual emissions should be calculated based on the number of quarters of the Regulatory Year t during which it did not form part of the licensee's Transmission System; and
SFADJ _t	means the reduction in Insulation And Interruption Gas emissions in tonnes CO ₂ e from Funded SF ₆ Asset

Interventions on the licensee's Transmission System following completion of the intervention, calculated using an estimate of the expected annual abatement, as set out in its submissions for funding for those interventions. For an asset intervened on during Regulatory Year t , a proportion of the annual emissions should be calculated based on the number of quarters of the Regulatory Year t during which that asset formed part of the licensee's Transmission System after the intervention work was completed.

Part B: IIG Methodology Statement

- 4.3.6 The licensee must have in place an IIG Methodology Statement approved by the Authority.
- 4.3.7 The IIG Methodology Statement must:
- (a) be consistent with industry best practice for measuring actual and estimating expected leakage of Insulation And Interruption Gases from the assets forming part of the licensee's Transmission System;
 - (b) in respect of each Insulation And Interruption Gas, set out how the licensee's actual and expected emissions are adjusted to tonnes of CO₂e by:
 - i. using the relevant global warming potential values set out in the latest assessment report of the United Nations Intergovernmental Panel on Climate Change as published on the Greenhouse Gas Protocol Website;
 - ii. where the information in i. above is not available, using the relevant global warming potential values set out in Annex IV (Method of Calculating the Total GWP of a Mixture) to Regulation (EU) No 517/2014 of the European Parliament and of the Council of 16 April 2014 on fluorinated greenhouse gases and repealing Regulation (EC) No 842/2006; or
 - iii. where the information in i. or ii. above is not available, using the relevant global warming potential values from an alternative appropriate source, and explaining the process undertaken to verify that source; and
 - (c) set out the methodology by which the licensee will determine the leakage of Insulation And Interruption Gases from the assets forming part of its Transmission System for the purposes of calculating the ALE_t , ADD_t and DSP_t terms.
- 4.3.8 The licensee must use its best endeavours to apply the methodology in the IIG Methodology Statement.
- 4.3.9 The licensee must from time to time and in any event not less than once in every period of two Regulatory Years, review and propose such revisions to the

IIG Methodology Statement as may be necessary in order to ensure that it continues to comply with paragraph 4.3.7.

- 4.3.10 Before revising the IIG Methodology Statement, the licensee must submit a copy of the proposed revisions to the Authority.
- 4.3.11 The Authority will:
- (a) approve the proposed revisions;
 - (b) reject the proposed revisions; or
 - (c) reject the proposed revisions and give recommendations as to alternative revisions which it considers should be made.

Part C: Notification and treatment of IIG Exceptional Events

- 4.3.12 Where the licensee considers that an IIG Exceptional Event has wholly or partly caused leakage of an Insulation And Interruption Gas, it must:
- (a) notify the Authority of that event as soon as reasonably practicable but at the latest before the end of the period of 14 days beginning with the date of the event; and
 - (b) except where the Authority otherwise consents, during the period of 30 days beginning with the notification under sub-paragraph (a), provide to the Authority:
 - (c) details of the volume of leakage of Insulation And Interruption Gas that it considers resulted from the IIG Exceptional Event;
 - (d) any evidence available which demonstrates that the event was not attributable to any error on the licensee's part; and
 - (e) any evidence available that the licensee took reasonable preventative and mitigating actions before and after the event to limit its effect.
- 4.3.13 The licensee must not provide the details required by paragraph 4.3.12(b) where the cost of doing so is likely to exceed the value of the volume of leakage referred to in paragraph 4.3.12(b)(i), calculated using the relevant central non-traded price per tonne of CO₂e as set out in the Green Book Supplementary Guidance.
- 4.3.14 Where an IIG Exceptional Event occurs, the Authority will consider directing an adjustment to the ALE_t term.
- 4.3.15 Before directing an adjustment to the ALE_t term under paragraph 4.3.14, the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction; and
 - (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

Special Condition 4.4 Timely connections output delivery incentive (CONADJ_t)

Introduction

- 4.4.1 The purpose of this condition is to calculate the term CONADJ_t (the timely connections output delivery incentive term). This contributes to the calculation of the term ODI_t (the output delivery incentives term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 4.4.2 Where the Authority decides to apply the CONADJ_t term, the effect will be to penalise the licensee for failing to deliver timely offers for connection to the licensee's Transmission System.

Part A: Formula for calculating the Timely Connections output delivery incentive term (CONADJ_t)

- 4.4.3 The value of CONADJ_t is derived in accordance with the following formula:

$$CONADJ_t = - \frac{Untimely\ Offers_t}{Total\ Offers_t} 0.005\ EABR$$

where:

- Untimely Offers_t means the total number of offers made other than in accordance with the licensee's Timely Connections Obligations;
- Total Offers_t means the sum of the number of Untimely Offers and the number of offers made consistent with the licensee's Timely Connections Obligations; and
- EABR means Ex-Ante Base Revenue.

Part B: Process for directing the application of the CONADJ_t term

- 4.4.4 Where the Authority considers that the CONADJ_t term should apply as an adjustment to the licensee's Calculated Revenue it will do so by direction.
- 4.4.5 Before issuing a direction under paragraph 4.4.4 the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction; and
 - (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

Special Condition 4.5 Quality of connections satisfaction survey output delivery incentive (QCS_t)

Introduction

- 4.5.1 The purpose of this condition is to calculate the term QCS_t (the quality of connections satisfaction survey output delivery incentive term). This contributes to the calculation of the term ODI_t (the output delivery incentives term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 4.5.2 The effect of this output delivery incentive is to reward or penalise the licensee where its customer service performance improves or deteriorates.

Part A: Adjustments arising from the quality of connections satisfaction survey (QCS_t)

- 4.5.3 The value of the QCS_t term is derived in accordance with the following formula:

$$QCS_t = \begin{cases} \min \left(\frac{QCSAS_t - QCSATU_t}{QCSAMAX_t - QCSATU_t}, 1 \right) QCSUPA_t \cdot EABR, & QCSAS_t \geq QCSATU_t \\ \max \left(\frac{QCSAS_t - QCSATU_t}{QCSATU_t - QCSAMIN_t}, -1 \right) QCSDPA_t \cdot EABR, & QCSAS_t < QCSATU_t \end{cases}$$

where:

QCSAS _t	means the performance score for the quality of connections satisfaction survey;
QCSATU _t	means the quality of connections satisfaction survey performance score target, fixed at 7.7;
QCSAMAX _t	means the quality of connections satisfaction survey maximum level of reward, which is fixed as 9;
QCSAMIN _t	means the quality of connections satisfaction survey maximum level of penalty, which is fixed as 6.4;
EABR	means Ex-Ante Base Revenue;
QCSUPA _t	means the quality of connections satisfaction survey maximum upside percentage point adjustment, and has the value specified in Appendix 1; and
QCSDPA _t	means the quality of connections satisfaction survey maximum downside percentage point adjustment, and has the value specified in Appendix 1.

Appendix 1

Quality of connections survey maximum upside and minimum downside percentage point adjustment

Regulatory Year	2021/22	2022/23	2023/24	2024/25	2025/26
QCSUPA _t	0.0025	0.005	0.005	0.005	0.005
QCSDPA _t	0	0.005	0.005	0.005	0.005

Special Condition 4.6 Environmental scorecard output delivery incentive (ESI_t)

Introduction

- 4.6.1 The purpose of this condition is to calculate the term ESI_t (the environmental scorecard output delivery incentive term). This contributes to the calculation of the ODI_t term (the output delivery incentives term), which in turn feeds into the calculation of the Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 4.6.2 The effect of this incentive is to reward or penalise the licensee for its performance in the environmental areas specified in this licence condition compared to annual thresholds.
- 4.6.3 This condition also sets out the process that the Authority will follow to delay the application of this condition, until such time as the licensee has brought forward the necessary evidence to populate the values in this condition.

Part A: Process for turning on this licence condition

- 4.6.4 Part B does not have effect and the value of ESI_t will be zero, until such time as the Authority directs otherwise.
- 4.6.5 The licensee may request that the Authority make a direction under paragraph 4.6.4 by sending an application to the Authority in writing setting out:
- (a) the proposed values for OTTR1_t, OTTR2_t, OTTP1_t, OTTP2_t, OTI_t, BMTR1_t, BMTR2_t, BMTP1_t, BMTP2_t, BMI_t, WRTR1_t, WRTR2_t, WRTP1_t, WRTP2_t, WRI_t, WTR1_t, WTR2_t, WTP1_t, WTP2_t, WI_t, WUTR1_t, WUTR2_t, WUTP1_t, WUTP2_t, WUI_t, EVTR1_t, EVTR2_t, EVTP1_t, EVRP2_t, EVI_t, EVTT_t, BGTR_t, BGTP_t, BGI_t;
 - (b) the scope of WRA_t, WA_t and WUA_t; and
 - (c) the baseline measures for the impact areas set out in Appendix 3.
- 4.6.6 The licensee may only make an application under paragraph 4.6.5 where it has evidence of support from relevant stakeholders on:
- (a) the proposed values for the terms set out in paragraph 4.6.5(a);

- (b) the proposed scope for WRA_t, WA_t and WUA_t; and
 - (c) the baseline measures for the impact areas set out in Appendix 3.
- 4.6.7 Before making a direction under paragraph 4.6.4 the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction; and
 - (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.
- 4.6.8 A direction under paragraph 4.6.4 will set out:
- (a) amendments to this condition;
 - (b) setting the values for the terms specified in paragraph 4.6.5(a);
 - (c) defining the scope of WRA_t, WA_t and WUA_t; and
 - (d) setting the baseline measures for the impact areas in Appendix 3; and
 - (e) the date from which the direction is to have effect, which will not be before the first day of the Regulatory Year following the making of the direction.

Part B: Formula for calculating the environmental scorecard output delivery incentive term (ESI_t)

4.6.9 Where the Authority has made a direction under Part A, the value of ESI_t is to be derived in accordance with the following formula:

$$ESI_t = (OT_t + BM_t + WR_t + W_t + WU_t + BG_t + EV_t) * TIS$$

where:

OT _t	means the value for the operational transport emissions component of the environmental scorecard incentive derived in accordance with the following formula: = 2*OTI _t , if OTA _t ≤ OTTR2 _t = OTI _t , if OTTR1 _t ≥ OTA _t > OTTR2 _t = -2*OTI _t , if OTA _t ≥ OTTP2 _t = -OTI _t , if OTTP1 _t ≤ OTA _t < OTTP2 _t otherwise has the value zero;
OTI _t	means the incentive for operational transport emissions and has the value set out in Appendix 1;
OTA _t	means the percentage change in the licensee's total operational transport emissions compared to baseline levels in Appendix 3;
OTTR2 _t	means the second reward threshold for operational transport emissions and has the value set out in Appendix 2;

OTTR1t	means the first reward threshold for operational transport emissions and has the value set out in Appendix 2;
OTTP1t	means the first penalty threshold for operational transport emissions and has the value set out in Appendix 2;
OTTP2t	means the second penalty threshold for operational transport emissions and has the value set out in Appendix 2;
BM _t	means the value for the business mileage emissions component of the environmental scorecard incentive derived in accordance with the following formula: $= 2 * BMI_t, \text{ if } BMA_t \leq BMTR2t$ $= BMI_t, \text{ if } BMTR1t \geq BMA_t > BMTR2t$ $= -2 * BMI_t, \text{ if } BMA_t \geq BMTP2t$ $= -BMI_t, \text{ if } BMTP1t \leq BMA_t < BMTP2t$ otherwise has the value zero;
BMI _t	means the incentive for business mileage emissions and has the value set out in Appendix 1;
BMA _t	means the percentage change in the licensee's total business mileage CO ₂ e emissions compared to baseline levels in Appendix 3;
BMTR2t	means the second reward threshold for business mileage emissions and has the value set out in Appendix 2;
BMTR1t	means the first reward threshold for business mileage emissions and has the value set out in Appendix 2;
BMTP1t	means the first penalty threshold for business mileage emissions and has the value set out in Appendix 2;
BMTP2t	means the second penalty threshold for business mileage emissions and has the value set out in Appendix 2;
WR _t	means the value for the waste recycling component of the environmental scorecard incentive derived in accordance with the following formula: $= 2 * WRI_t, \text{ if } WRA_t \geq WRTR2t$ $= WRI_t, \text{ if } WRTR1t \leq WRA_t < WRTR2t$ $= -2 * WRI_t, \text{ if } WRA_t \geq WRTP2t$ $= -WRI_t, \text{ if } WRTP1t \leq WRA_t < WRTP2t$ otherwise has the value zero;

WRI _t	means the incentive for waste recycling and has the value set out in Appendix 1;
WRA _t	means the percentage of the licensee's operational and office waste that is recycled;
WRTR2 _t	means the second reward threshold for waste recycling and has the value set out in Appendix 2;
WRTR1 _t	means the first reward threshold for waste recycling and has the value set out in Appendix 2;
WRTP1 _t	means the first penalty threshold for waste recycling and has the value set out in Appendix 2;
WRTP2 _t	means the second penalty threshold for waste recycling and has the value set out in Appendix 2;
W _t	means the value for the waste reduction component of the environmental scorecard incentive derived in accordance with the following formula: $= 2*W I_t, \text{ if } W A_t \leq W T R 2_t$ $= W I_t, \text{ if } W T R 1_t \geq W A_t > W T R 2_t$ $= -2*W I_t, \text{ if } W A_t \geq W T P 2_t$ $= -W I_t, \text{ if } W T P 1_t \leq W A_t < W T P 2_t$ otherwise has the value of zero;
W I _t	means the incentive for waste reduction and has the value set out in Appendix 1;
W A _t	means the percentage change in the licensee's waste generated compared to baseline levels in Appendix 3;
WTR2 _t	means the second reward threshold for waste reduction and has the value set out in Appendix 2;
WTR1 _t	means the first reward threshold for waste reduction and has the value set out in Appendix 2;
WTP1 _t	means the first penalty threshold for waste reduction and has the value set out in Appendix 2;
WTP2 _t	means the second penalty threshold for waste reduction and has the value set out in Appendix 2;

WU _t	<p>means the value for the water use reduction component of the environmental scorecard incentive derived in accordance with the following formula:</p> <p>= 2*WUI_t, if WUA_t =< WUTR2_t = WUI_t, if WUTR1_t >= WUA_t > WUTR2_t = -2*WUI_t, if WUA_t >= WUTP2_t = -WUI_t, if WUTP1_t =< WUA_t < WUTP2_t otherwise has the value zero;</p>
WUI _t	means the incentive for water use reduction and has the value set out in Appendix 1;
WUA _t	means the percentage change in the volume of [scope to be defined eg construction/operational/office] water use compared to the baseline levels in Appendix 3;
WUTR2 _t	means the second reward threshold for water use reduction and has the value set out in Appendix 2;
WUTR1 _t	means the first reward threshold for water use reduction and has the value set out in Appendix 2;
WUTP1 _t	means the first penalty threshold for water use reduction and has the value set out in Appendix 2;
WUTP2 _t	means the second penalty threshold for water use reduction and has the value set out in Appendix 2;
BG _t	<p>means the value for the Biodiversity Net Gain component of the environmental scorecard incentive derived in accordance with the following formula:</p> <p>= BGR_t + BGP_t</p>
BGR _t	<p>means the value of reward for all Qualifying Projects that have met or exceeded the reward threshold and is derived in accordance with the following formula:</p> <p>=NR_t * BGI_t otherwise has the value zero;</p>
BGP _t	means the value of penalty for all Qualifying Projects that achieved equal to or less the penalty threshold and is derived in accordance with the following formula:

	<p>$=NP_t * -BGI_t$ otherwise has the value zero;</p>
NR _t	<p>means the number of projects that have met or exceeded the reward threshold and is calculated in accordance with the following formula:</p> <p>$= \sum i_t$, for all Qualifying Project i where $BGA_{i,t} \geq BGTR$, otherwise has the value zero;</p>
NP _t	<p>means the number of projects that have achieved equal to or less than the penalty threshold and is derived in accordance with the following formula:</p> <p>$= \sum i_t$, for all Qualifying Project i where $BGA_{i,t} \leq BGTP_t$ otherwise has the value zero;</p>
BGI _t	means the incentive for Biodiversity Net Gain and has the value set out in Appendix 1;
BGA _{i,t}	means the net percentage change in Biodiversity Units of Qualifying Project I;
BGTR _t	means the reward threshold for Biodiversity Net Gain and has the value set out in Appendix 2;
BGTP _t	means the penalty threshold for Biodiversity Net Gain and has the value set out in Appendix 2;
EV _t	<p>means the value for the Environmental Value component of the environmental scorecard incentive;</p> <p>For years 2021/22 to 2024/25, EV_t is derived in accordance with the following formula:</p> <p>$=EVPC_t + EVCOR_t$</p> <p>For the final year of the Price Control Period, 2025/26, it is derived in accordance with the following formula:</p> <p>$= -[aa] * EVI_t - EVCOM_{t-1}$, if $\sum_{2021/22}^t EVA_t * 100 < [bb]$, $= (\text{Min} (\sum_{2021/22}^t EVA_t * 100, [cc]) - [dd]) * EVI_t - EVCOM_{t-1}$ in all other cases;</p>
EVPC _t	means the valuation of the annual change in Environmental Value and is derived in accordance with the following formula:

	<p>= $EVI_t * (EVTP2t - EVTT_t) * 100$, if $EVA_t \leq EVTP2t$; = $EVI_t * (EVTP1t - EVTT_t) * 100$, if $EVTP2t < EVA_t \leq EVTP1t$; = $EVI_t * (EVTR1t - EVTT_t) * 100$, if $EVTR1t \leq EVA_t < EVTR2t$; = $EVI_t * (EVTR2t - EVTT_t) * 100$, if $EVA_t \geq EVTR2t$; otherwise has the value zero;</p>
EVI_t	means the incentive for Environmental Value and has the value set out in Appendix 1;
$EVTR1t$	means the first reward threshold for Environmental Value and has the value set out in Appendix 2;
$EVTR2t$	means the second reward threshold for Environmental Value and has the value set out in Appendix 2;
$EVTP1t$	means the first penalty threshold for Environmental Value and has the value set out in Appendix 2;
$EVTP2t$	means the second penalty threshold for Environmental Value and has the value set out in Appendix 2;
$EVTT_t$	means the baseline Environmental Value target and has the value set out in Appendix 4;
EVA_t	means the annual percentage change in the Environmental Value of the licensee's non-operational land compared to the baseline levels in Appendix 1;
$EVCOR_t$	<p>means the correction factor for the Environmental Value component and is derived in accordance with the following formula:</p> <p>= $\text{Min} [-(EVCOM_{t-1} + EVPC_t), (EVA_t - EVTT_t) * 100 * EVI_t]$, if $(EVCOM_{t-1} + EVPC_t) < 0$ AND $EVA_t > EVTT_t$ = $\text{Max} [-(EVCOM_{t-1} + EVPC_t), (EVA_t - EVTT_t) * 100 * EVI_t]$, if $(EVCOM_{t-1} + EVPC_t) > 0$ AND $EVA_t < EVTT_t$ otherwise has the value zero;</p>
$EVCOM_t$	<p>means the cumulative calculated value of the Environmental Value component of the Environmental Scorecard over the Price Control Period and is derived in accordance with the following formula:</p> <p>= $\sum_{2021/22}^t EV_t$; and</p>
[bb], [cc] and [dd]	are placeholders for the respective cumulative percentage changes of $EVTP2t$, $EVTR2t$ and $EVTT_t$ as at the end of the Price Control Period;
[aa]	is a placeholder for the value to be derived from [bb] – [dd]; and

TIS	means the Totex Incentive Strength.
-----	-------------------------------------

Appendix 1

Incentive values

Incentive rates	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026
OTI _t	TBC	TBC	TBC	TBC	TBC
BMI _t	TBC	TBC	TBC	TBC	TBC
WRI _t	TBC	TBC	TBC	TBC	TBC
WI _t	TBC	TBC	TBC	TBC	TBC
WUI _t	TBC	TBC	TBC	TBC	TBC
EVI _t	TBC	TBC	TBC	TBC	TBC
BGI _t	TBC	TBC	TBC	TBC	TBC

Appendix 2

Annual performance thresholds

Annual performance thresholds	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026
OTTR2	TBC	TBC	TBC	TBC	TBC
OTTR1					
OTTP1					
OTTP2					
BMTR2	TBC	TBC	TBC	TBC	TBC
BMTR1					
BMTP1					
BMTP2					
WRTR2	TBC	TBC	TBC	TBC	TBC
WRTR1					
WRTP1					
WRTP2					
WTR2	TBC	TBC	TBC	TBC	TBC
WTR1					
WTP1					
WTP2					
WUTR2	TBC	TBC	TBC	TBC	TBC

Annual performance thresholds	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026
WUTR1					
WUTP1					
WUTP2					
EVTR2	TBC	TBC	TBC	TBC	TBC
EVTR1					
EVTP1					
EVTP2					
BGTR	TBC	TBC	TBC	TBC	TBC
BGTP					

Appendix 3

Baseline measures

Impact area	Year	Level
Operational fleet emissions	TBC	TBC
Business travel emissions covering [scope to be defined]	TBC	TBC
Waste generated in tonnes covering [scope to be defined]	TBC	TBC
Water use in litres [scope to be defined]	TBC	TBC
Environmental value of licensee's non-operational land (£m)	TBC	TBC

Appendix 4

Baseline Environmental Gain Targets

	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026
EVTT _t	TBC	TBC	TBC	TBC	TBC

Special Condition 4.7 SO-TO optimisation output delivery incentive (SOTO_t)

Introduction

4.7.1 The purpose of this condition is to calculate the term SOTO_t (the SO-TO optimisation output delivery incentive term). This contributes to the

calculation of the term ODI_t (the output delivery incentives term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).

- 4.7.2 The effect of this incentive is to reward the licensee where it has delivered SO-TO Optimisation Solutions under the STCP11.4 Enhanced Service Provision.

Part A: Formula for calculating the SO-TO optimisation output delivery incentive term ($SOTO_t$)

- 4.7.3 For Regulatory Years commencing on 1 April 2021 and 1 April 2022, the value of the term $SOTO_t$ is derived in accordance with the following formula:

$$SOTO_t = \min (SOTOSF_t \cdot SOTOS_t, SOTOCAP_t)$$

where:

$SOTOSF_t$ means the SO-TO optimisation sharing factor which has the value of 0.1;

$SOTOS_t$ means the total constraint savings forecasted by NGENSO for the solutions delivered by the licensee in accordance with the SO-TO Optimisation Governance Document; and

$SOTOCAP_t$ means the cap of rewards for the SO-TO optimisation output delivery incentive and has the value of £2.5m.

- 4.7.4 For Regulatory Years commencing on or after 1 April 2023, the value of the $SOTO_t$ term will be zero, unless the Authority directs that the value is to continue being derived in accordance with the formula in paragraph 4.7.3.

Part B: SO-TO Optimisation Governance Document

- 4.7.5 The licensee must comply with the SO-TO Optimisation Governance Document.

- 4.7.6 The Authority will issue and amend the SO-TO Optimisation Governance Document by direction.

- 4.7.7 The Authority will publish the SO-TO Optimisation Governance Document on the Authority's Website.

- 4.7.8 The SO-TO Optimisation Governance Document will make provision about the governance and administration of the SO-TO Optimisation output delivery incentive, including:

(a) the definition of 'SOTO Optimisation Solutions'; and

(b) the reporting obligations in respect of the SO-TO optimisation output delivery incentive.

- 4.7.9 Before issuing the SO-TO Optimisation Governance Document the Authority will publish on the Authority's Website:

(a) the text of the proposed SO-TO Optimisation Governance Document;

(b) the date on which the Authority intends the SO-TO Optimisation Governance Document to come into effect;

- (c) a period during which representations may be made on the content of the SO-TO Optimisation Governance Document, which will not be less than 28 days.
- 4.7.10 Before amending the SO-TO Optimisation Governance Document, the Authority will publish on the Authority's Website:
- (a) the text of the amended SO-TO Optimisation Governance Document;
 - (b) the date on which the Authority intends the amended SO-TO Optimisation Governance Document to come into effect;
 - (c) the reasons for the amendments to the SO-TO Optimisation Governance Document; and
 - (d) a period during which representations may be made on the amendments to the SO-TO Optimisation Governance Document, which will not be less than 28 days.

Part C: SO-TO Optimisation Report

- 4.7.11 The licensee must prepare a SO-TO Optimisation Report in accordance with the SO-TO Optimisation Governance Document.

Special Condition 4.8 Consumer value proposition

Introduction

- 4.8.1 The purpose of this condition is to:
- (a) specify the CVP Outputs and associated CVP Rewards; and
 - (b) allow for the adjustment of the term BPI_t (the Business Plan incentive term), which contributes to the calculation of Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 4.8.2 This condition also explains the process the Authority will follow when assessing the delivery of the CVP Outputs and directing a value for an adjustment to BPI_t .

Part A: What is the licensee expected to deliver?

- 4.8.3 Appendix 1 specifies the CVP Outputs that the licensee is expected to deliver, the delivery dates for those outputs and the rewards and costs provided.

Part B: Reporting requirements

- 4.8.4 The licensee must submit a report to the Authority:
- (a) demonstrating how the licensee has delivered its CVP Outputs set out in Appendix 1
 - (b) where it has not delivered a CVP Output, an explanation of the reasons why; and
 - (c) such detailed evidence as is reasonable in the circumstances.

4.8.5 The report must be submitted on or before a date directed by the Authority, which will be after the Price Control Period ends.

Part C: Authority Assessment and direction

4.8.6 The Authority will consider directing an adjustment to the BPI_t term after the Price Control Period where the licensee has not demonstrated CVP Full Delivery.

4.8.7 Any adjustment to the BPI_t term under paragraph 4.8.6 will use the adjustment mechanism set out in RIIO-2 Final Determinations – SPT Annex.

4.8.8 Before making a direction under paragraph 4.8.6 the Authority will publish on the Authority's Website:

(a) the text of the proposed direction;

(b) the reasons for the proposed direction; and

(c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

4.8.9 A direction under paragraph 4.8.6 will set out the value of the BPI_t term and the Regulatory Years to which that value relates.

Appendix 1

Consumer value propositions

CVP name	CVP Output	Delivery date	Reward (£m)
Maximising benefit of non-operational land	Signed Access Agreements for one or both of: the installation of community renewable energy generation projects; or Biodiversity Enhancements at 20 sites.	31 Mar 2026	2.06

Chapter 5: Other Revenue Allowances

Special Condition 5.1 Total other revenue allowances (ORA_t)

Part A: Introduction

5.1.2 The purpose of this condition is to calculate the term ORA_t (the other revenue allowances term). This contributes to the calculation of Calculated Revenue in Special Condition 2.1 (Revenue restriction).

Part B: Formula for calculating other revenue allowances term (ORA_t)

5.1.3 The value of ORA_t is derived in accordance with the following formula:

$$ORA_t = NIA_t + CNIA_t + NTMP_t + NZF_t + TIRG_t + PRPN_t$$

where:

NIA_t is derived in accordance with Special Condition 5.2 (RIIO-2 network innovation allowance);

$CNIA_t$ is derived in accordance with Special Condition 5.3 (Carry-over Network Innovation Allowance);

$NTMP_t$ is derived in accordance with Special Condition 5.4 (Non-Technical Mitigation Projects allowance);

NZF_t is derived in accordance with Special Condition 5.5 (Net Zero Fund use it or lose it allowance);

$TIRG_t$ is derived in accordance with Special Condition 5.7 (Transmission investment for renewable generation); and

$PRPN_t$ means the pre-RIIO pension true-up and has the value given in the ET2 Price Control Financial Model.

Special Condition 5.2 RIIO-2 network innovation allowance (NIA_t)

Introduction

5.2.1 The purpose of this condition is to calculate the term NIA_t (the network innovation allowance term). This contributes to the calculation of the term ORA_t (the other revenue allowances term), which in turn feeds into the calculation of Calculated Revenue in Special Condition 2.1 (Revenue restriction).

5.2.2 The effect of this condition is to fund investment in innovation by means of the NIA.

5.2.3 This condition also establishes a framework for the governance and administration of the NIA.

Part A: Formula for calculating the network innovation allowance (NIA_t)

5.2.4 Subject to paragraph 5.2.5, the value of the NIA_t term is derived in accordance with the following formula:

$$NIA_t = 90\% \cdot NIAE_t$$

where:

NIAE_t means the Total NIA Expenditure.

5.2.5 The total value of the network innovation allowance over the RIIO-2 Price Control Period is subject to the following cap:

$$\sum_{t=2021/22}^{2025/26} (NIA_t) \leq (TNIA_t)$$

where:

NIA_t is derived in accordance with paragraph 5.2.4.

TNIA_t means the value of the licensee's network innovation allowance as set out in Appendix 1.

5.2.6 The licensee must not spend more than 25% of Total NIA Expenditure on internal resources over the Price Control Period.

Part B: The RIIO-2 NIA Governance Document

5.2.7 The licensee must comply with the RIIO-2 NIA Governance Document.

5.2.8 The Authority will issue and amend the RIIO-2 NIA Governance Document by direction.

5.2.9 The Authority will publish the RIIO-2 NIA Governance Document on the Authority's Website.

5.2.10 The RIIO-2 NIA Governance Document will make provision about the governance and administration of the NIA, including:

- (a) the definition of "unrecoverable NIA expenditure";
- (b) the eligibility criteria, which RIIO-2 NIA Projects must meet;
- (c) the information that is to be published by the licensee before RIIO-2 NIA Projects can begin;
- (d) the circumstances in which the licensee will require approval from the Authority before beginning a RIIO-2 NIA Project, and the processes and procedures for that approval;
- (e) arrangements for ensuring that learning from RIIO-2 NIA Projects can be captured and disseminated by the licensee to other Transmission Licensees and holders of a Distribution Licence;

- (f) the reporting obligations in respect of RIIO-2 NIA Projects (which may include reporting in respect of the funding and the completion of such projects, and the provisions of the RIIO-2 NIA Governance Document); and
 - (g) arrangements relating to the treatment of intellectual property rights in respect of RIIO-2 NIA Projects.
- 5.2.11 Before directing that the RIIO-2 NIA Governance Document comes into effect, the Authority will publish on the Authority’s Website:
- (a) the text of the proposed RIIO-2 NIA Governance Document;
 - (b) the date on which the Authority intends the RIIO-2 NIA Governance Document to come into effect; and
 - (c) a period during which representations may be made on the content of the RIIO-2 NIA Governance Document, which will not be less than 28 days.
- 5.2.12 Before directing an amendment to the RIIO-2 NIA Governance Document, the Authority will publish on the Authority’s Website:
- (a) the text of the amended RIIO-2 NIA Governance Document;
 - (b) the date on which the Authority intends the amended RIIO-2 NIA Governance Document to come into effect;
 - (c) the reasons for the amendments to the RIIO-2 NIA Governance Document; and
 - (d) a period during which representations may be made on the amendments to the RIIO-2 NIA Governance Document, which will not be less than 28 days.

Appendix 1

Value of the licensee’s network innovation allowance

Licensee	Value of TNIA (£m)
SPT	13.50

Special Condition 5.3 Carry-over Network Innovation Allowance (CNIA_t)

Introduction

- 5.3.1 The purpose of this condition is to calculate the term CNIA_t (the Carry-over Network Innovation Allowance term). This contributes to the calculation of the term ORA_t (the other revenue allowances term), which in turn feeds into the calculation of Calculated Revenue in Special Condition 2.1 (Revenue restriction).

- 5.3.2 The effect of this condition is to extend RIIO-1 Network Innovation Allowance funding.
- 5.3.3 This condition also makes appropriate provision for arrangements relating to the regulation, administration and governance of the Carry-over Network Innovation Allowance.

Part A: Formula for calculating the Carry-over Network Innovation Allowance term (CNIA_t)

- 5.3.4 For the Regulatory Year commencing on 1 April 2021, the value of CNIA_t is derived in accordance with the following formula:

$$CNIA_t = (0.9 \cdot \min[ECNIA_t, CNIAV] - CNIA R_t) \frac{PI_{2018/19}}{PI_t}$$

where

ECNIA_t means the expenditure incurred by the licensee in respect of Eligible CNIA Projects as calculated by the licensee in accordance with the RIIO-1 NIA Governance Document and reported to the Authority in accordance with Standard Condition B15 (Regulatory Instructions and Guidance);

CNIAV is derived in accordance with Part B;

CNIA R means an amount recovered by the licensee in relation to the Regulatory Year 2021/22 under the RIIO-1 Network Innovation Allowance which the Authority has directed is unrecoverable in accordance with the RIIO-1 NIA Governance Document; and

PI_t is the price index derived in accordance with Part F of Special Condition 2.1.

- 5.3.5 For Regulatory Years commencing on or after 1 April 2022, the value of CNIA_t is zero.
- 5.3.6 Eligible CNIA Internal Expenditure may not exceed 25% of the total Eligible CNIA, unless the Authority otherwise consents.

Part B: Formula for calculating the Carry-over Network Innovation Allowance Value term (CNIAV)

- 5.3.7 The value of CNIAV is derived in accordance with the following formula:

$$CNIAV = NIAV_{2020/21} \cdot BR_{2020/21} - (ENIA_{2020/21} + BPC_{2020/21})$$

where:

NIAV_{2020/21} is calculated in accordance with Part B of Special Condition 3H (The Network Innovation Allowance) of this licence as in force on 31 March 2021;

<i>BR2020/21</i>	is calculated in accordance with Part B of Special Condition 3H (The Network Innovation Allowance) of this licence as in force on 31 March 2021;
<i>ENIA2020/21</i>	is calculated in accordance with Part B of Special Condition 3H (The Network Innovation Allowance) of this licence as in force on 31 March 2021; and
<i>BPC2020/21</i>	is calculated in accordance with Part B of Special Condition 3H (The Network Innovation Allowance) of this licence as in force on 31 March 2021.

Part C: The RIIO-1 NIA Governance Document

- 5.3.8 The licensee must comply with the RIIO-1 NIA Governance Document.
- 5.3.9 The Authority will amend the RIIO-1 NIA Governance Document by direction.
- 5.3.10 The RIIO-1 NIA Governance Document makes and will continue to make additional provision in respect of:
- (a) arrangements for ensuring that relevant learning from Eligible CNIA Projects can be captured and disseminated by the licensee to other Transmission Licensees and holders of a Distribution Licence;
 - (b) the nature of the reporting obligations in respect of such projects (which may include reporting in respect of the funding and the completion of such projects, as well as reporting on compliance with this condition and the provisions of the RIIO-1 NIA Governance Document);
 - (c) arrangements relating to the treatment of intellectual property rights in respect of Eligible CNIA Projects; and
 - (d) any other matters relating to the regulation, governance or administration of the Carry-over Network Innovation Allowance.

Part D: Procedure for amending the RIIO-1 NIA Governance Document

- 5.3.11 Before amending the RIIO-1 NIA Governance Document by direction, the Authority will publish on the Authority's Website:
- (a) the text of the amended RIIO-1 NIA Governance Document;
 - (b) the date on which the Authority intends the amended RIIO-1 NIA Governance Document to come into effect;
 - (c) the reasons for the amendments to the RIIO-1 NIA Governance Document; and
 - (d) a period during which representations may be made on the amendments to the RIIO-1 NIA Governance Document, which will not be less than 28 days.

Special Condition 5.4 Non-Technical Mitigation Projects allowance (NTMP_t)

Introduction

- 5.4.1 The purpose of this condition is to specify the term NTMP_t (the Non-Technical Mitigation Projects term). This contributes to the calculation of ORA_t (the other revenue allowances term), which feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 5.4.2 The effect of this condition is to provide an allowance for Non-Technical Mitigation Projects.

Part A: Amending NTMP_t values

- 5.4.3 The value of term NTMP_t in each Regulatory Year is the total amount of the licensee's allowances for Non-Technical Mitigation Projects for that Regulatory Year.
- 5.4.4 The Authority will calculate NTMP_t Value for the licensee in accordance with the following formula:

$$NTMP_t = \max \left(\min \left(NTPAE_t, \quad NTPC - \sum_{k=2021/22}^{2025/26} NTPAE_k \right), 0 \right)$$

where:

- NTPC means the total value of the licensee's expenditure cap for Non-Technical Mitigation Projects for the Price Control Period set out in Appendix 1; and
- NTPAE_t means the licensee's expenditure on Non-Technical Mitigation Projects that the licensee reports to the Authority it has incurred that Regulatory Year in accordance with the licensee's Mitigating Pre-existing Infrastructure Policy required by Part C of Special Condition 3.10 (Visual Impact Mitigation Re-opener and Price Control Deliverable and Enhancing Pre-existing Infrastructure Projects allowance); and
- NTPAE_k means the licensee's expenditure on Non-Technical Mitigation Projects that the licensee has reported to the Authority for previous Regulatory Years of the Price Control Period.

Appendix 1

Expenditure cap for Non-Technical Mitigation Projects (NTPC_t) (£m)

11.6

Special Condition 5.5 Net Zero Fund use it or lose it allowance (NZF_t)

Introduction

- 5.5.1 The purpose of this condition is to calculate the term NZF_t (the Net Zero Fund term). This contributes to the calculation of ORA_t (the other revenue allowances term), which feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 5.5.2 The effect of this condition is to:
- (a) specify the associated allowance for the Net Zero Fund;
 - (b) require the licensee to submit Net Zero Fund evaluation report at the end of the Price Control Period; and
 - (c) provide for an assessment of the Net Zero Fund including a Use It Or Lose It Adjustment.
- 5.5.3 This condition also explains the process the Authority will follow when directing any changes under paragraph 5.5.7.

Part A: Formula for calculating the Net Zero Fund term

- 5.5.4 The value of NZF_t is derived in accordance with the following formula:

$$NZF_t = NZFA_t - NZFR_t$$

where:

- NZFA_t means the allowances in Appendix 1; and
- NZFR_t has the value zero unless otherwise directed by the Authority in accordance with Part C.

Part B: Requirement to submit a Net Zero Fund evaluation report

- 5.5.5 The licensee must submit to the Authority a final Net Zero Fund evaluation report by 30 June 2026.
- 5.5.6 The evaluation reports must include:
- (a) a list and description of activities funded by the Net Zero Fund during the Price Control Period;
 - (b) the costs incurred by the licensee in relation to the Net Zero Fund;
 - (c) evidence that the costs were efficiently incurred; and

- (d) an assessment of the overall impact of activities funded by the Net Zero Fund, including:
- (e) a cost benefit analysis; and
- (f) a summary of key learnings the licensee has identified for supporting vulnerable consumers and communities in the Price Control Period.

Part C: Assessment of the Net Zero Fund (NZFR_t)

5.5.7 The Authority will direct an amendment to the value of NZFR_t where it considers that a Use It Or Lose It Adjustment is appropriate.

Part D: What process will the Authority follow in making a direction?

5.5.8 Before making a direction under paragraph 5.5.7, the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

5.5.9 The direction will set out the value of the NZFR_t term and the Regulatory Years to which that adjustment relates.

Appendix 1

Net Zero Fund allowance (£m)

	Regulatory Year					
	2021/22	2022/23	2023/24	2024/25	2025/26	Total
NZFA _t	1.00	1.00	1.00	1.00	1.00	5.00

Special Condition 5.6 Not used

Special Condition 5.7 Transmission investment for renewable generation (TIRG_t)

Introduction

- 5.7.1 The purpose of this condition is to calculate the term TIRG_t (the transmission investment for renewable generation term). This contributes to the calculation of ORA_t (the other revenue allowances term), which feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 5.7.2 The effect of this condition is to extend the RIIO-ET1 transmission investment for renewable generation funding.
- 5.7.3 This condition also specifies the information the licensee must provide on transmission investment projects.

Part A: Calculation the TIRG revenue allowance

5.7.4 The value of $TIRG_t$ will be calculated in accordance with the following formula

$$TIRG_t = LTIRG_t \cdot \frac{PI_{2018/19}}{PI_t}$$

where

$LTIRG_t$ has the value of $TIRG_t$ calculated in accordance with RIIO-ET1 Special Condition 3J (Transmission Investment for Renewable Generation) as in force on 31 March 2021; and

PI_t is the price index derived in accordance with Part F of Special Condition 2.1.

Part B: Information to be provided to the Authority in connection with Transmission Investment for Renewable Generation

5.7.5 The licensee must comply with the reporting obligations specified in Special Condition 3J of this licence as in force on 31 March 2021.

Chapter 6: Pass-through expenditure

Special Condition 6.1 Pass-through items (PT_t)

Introduction

- 6.1.1 The purpose of this condition is to calculate the term PT_t (the allowed pass-through term). This feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 6.1.2 The effect of this condition is to ensure that the licensee's Allowed Revenue reflects that certain costs can be passed through to Users.

Part A: Formula for calculating the allowed pass-through term (PT_t)

- 6.1.3 The value of the PT_t term is derived in accordance with the following formula:

$$PT_t = RB_t + EDE_t + TPD_t$$

where:

- RB_t means the amount levied on the licensee in respect of the Prescribed Rates or an amount directed under Part B;
- EDE_t means the payments in relation to the Pension Scheme Established Deficit repair expenditure for each Regulatory Year, as further explained and elaborated upon in the ET2 Price Control Financial Handbook; and
- TPD_t means the temporary physical disconnection costs incurred by the licensee in relation to interruption payments made by the System Operator as part of its balancing services activity in the licensee's Transmission Area that are charged to the licensee in accordance with the provisions of the STC.

Part B: Review of Prescribed Rates pass-through term (RB_t)

- 6.1.4 As part of any periodic revaluation, the licensee must:
- engage with the Relevant Valuation Agency; and
 - use its reasonable endeavours to minimise the amount of the Prescribed Rates to which it is liable.
- 6.1.5 If, after reviewing the licensee's engagement with the Relevant Valuation Agency and any further information required from the licensee with respect to a particular revaluation, the Authority considers that the licensee has not complied with paragraph 6.1.4, the Authority will adjust the value of RB_t by direction.

Special Condition 6.2 Not used

Chapter 7: Legacy adjustments

Special Condition 7.1 Legacy adjustments to revenue (LAR_t)

Introduction

7.1.1 The purpose of this condition is to calculate the term LAR_t (the legacy adjustments term), which in turn feeds into the Allowed Revenue in Special Condition 2.1 (Revenue restriction).

7.1.2 The value of LAR_t and its components are in nominal prices.

Part A: Formula for calculating total legacy adjustments (LAR_t)

7.1.3 The value of the LAR_t term is derived in accordance with the following formula:

$$LAR_t = LPT_t + LMOD_t + LK_t + LTRU_t + NOCO_t + LSSO_t + LEDR_t + LSFI_t + LRI_t$$

where:

LPT_t is derived in accordance with Special Condition 7.2 (Close out of RIIO-ET1 pass-through items);

LMOD_t has the value in sheet 'SPTL' of the ET2 Price Control Financial Model unless the Authority directs otherwise in accordance with Special Condition 7.3 (Legacy MOD);

LK_t is derived in accordance with Special Condition 7.4 (Legacy K correction);

LTRU_t is derived in accordance with Special Condition 7.5 (Legacy TRU term);

LSSO_t is derived in accordance with Special Condition 7.6 (Close out of the RIIO-ET1 stakeholder satisfaction output);

LEDR_t is derived in accordance with Special Condition 7.7 (Close out of the RIIO-1 adjustment in respect of the Environmental Discretionary Reward Scheme);

LSFI_t is derived in accordance with Special Condition 7.8 (Close out of the RIIO-ET1 Incentive in respect of the sulphur hexafluoride (SF6) gas emissions incentive); and

LRI_t is derived in accordance with Special Condition 7.9 (Close out of the RIIO-ET1 reliability incentive in respect of energy not supplied).

NOCO_t is derived in accordance with Special Condition 7.10 (Close out of RIIO-1 Network Outputs);

Special Condition 7.2 Legacy pass-through items (LPT_t)

Introduction

- 7.2.1 The purpose of this condition is to calculate the LPT_t term (the RIIO-ET1 pass-through items close out term). This contributes to the calculation of the legacy adjustments term in Special Condition 7.1 (Legacy adjustments to revenue), which in turn feeds into the Allowed Revenue in Special Condition 2.1 (Revenue restriction).
- 7.2.2 The effect of this condition is to close out certain RIIO-ET1 allowed pass-through terms, such that revenue in the Regulatory Years commencing on 1 April 2021 and 1 April 2022 reflects the specified pass-through costs adjustments relating to the Regulatory Years commencing on 1 April 2019 and 1 April 2020 respectively.

Part A: Formula for calculating the RIIO-ET1 pass-through items (LPT_t)

- 7.2.3 For the Regulatory Years commencing on 1 April 2021 and 1 April 2022, the value of LPT_t is derived in accordance with the following formula:

$$LPT_t = LRB_t + LTPD_t$$

where

LRB_t has the value of RB_t as determined in accordance with Part B of Special Condition 3B (Calculation of allowed pass-through items) of this licence as in force on 31 March 2021; and

LTPD_t has the value of TPD_t as determined in accordance with Part D of Special Condition 3B (Calculation of allowed pass-through items) of this licence as in force on 31 March 2021.

- 7.2.4 For Regulatory Years commencing on or after 1 April 2023, the value of LTPD_t is zero.

Special Condition 7.3 Legacy MOD (LMOD_t)

Introduction

- 7.3.1 The purpose of this condition is to set out the process the Authority will follow when directing values for the term LMOD_t (the legacy MOD term). This contributes to the calculation of the legacy adjustments term in Special Condition 7.1 (Legacy adjustments to revenue), which in turn feeds into the Allowed Revenue in Special Condition 2.1 (Revenue restriction).
- 7.3.2 The effect of this condition is to reflect the close out of the ET1 Price Control Financial Model.

Part A: Authority Assessment and direction

- 7.3.3 The value of LMOD_t, is derived in accordance with the following formula:

$$L\text{MOD}_t = \text{MOD}_t \cdot \text{RPIF}_t$$

where:

MOD_t has the value directed by the Authority coinciding with the Annual Iteration Process, related to revisions to the ET1 Price Control Financial Model, performed in accordance with Chapter 8 (legacy) of the ET2 Price Control Financial Handbook; and

RPIF_t has the value of RPIF_t as determined in accordance with Part C of Special Condition 3A (Restriction of Transmission Network Revenue) of this licence as in force on 31 March 2021.

7.3.4 Before making a direction under paragraph 7.3.3 the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

Special Condition 7.4 Legacy K correction (LK_t)

Introduction

7.4.1 The purpose of this condition is to calculate the term LK_t (the legacy correction term). This contributes to the calculation of the legacy adjustments term in Special Condition 7.1 (Legacy adjustments to revenue), which in turn feeds into the Allowed Revenue in Special Condition 2.1 (Revenue restriction).

7.4.2 The effect of this condition is to close out the RIIO-ET1 correction term such that revenue in the Regulatory Year commencing on 1 April 2021 reflects the correction value relating to the Regulatory Year commencing on 1 April 2019.

Part A: Formula for calculating the legacy correction term (LK_t)

7.4.3 For the Regulatory Year commencing on 1 April 2021, the value of LK is derived in accordance with the following formula:

$$\text{LK}_t = -K_t$$

where:

K_t has the value of K as determined in accordance with Part E of Special Condition 3A (Restriction of Transmission Network Revenue) of this licence as in force on 31 March 2021.

7.4.4 The value of LK_t for Regulatory Years commencing on or after 1 April 2022 is zero.

Special Condition 7.5 Legacy TRU Term ($LTRU_t$)

Introduction

- 7.5.1 The purpose of this condition is to calculate the term $LTRU_t$ (the legacy TRU term). This contributes to the calculation of the legacy adjustments term in Special Condition 7.1 (Legacy adjustments to revenue), which in turn feeds into the Allowed Revenue in Special Condition 2.1 (Revenue restriction).
- 7.5.2 The effect of this condition is to close out the RIIO-ET1 TRU term such that revenue in the Regulatory Years commencing on 1 April 2021 to April 2024 reflects TRU adjustments relating to inflation forecasts used in the Regulatory Years commencing on 1 April 2017 to 1 April 2020 respectively.

Part A: Formula for calculating the legacy TRU term ($LTRU_t$)

- 7.5.3 For the Regulatory Years commencing on 1 April 2021 to 1 April 2024, the value of $LTRU_t$ is derived in accordance with the following formula:

$$LTRU_t = TRU_t \cdot RPIF_t$$

where

TRU_t is equivalent to TRU_t as determined in accordance with Part C of Special Condition 3A (Restriction of Transmission Network Revenue) of this licence as in force on 31 March 2021; and

$RPIF_t$ has the value of $RPIF_t$ as determined in accordance with Part C of Special Condition 3A (Restriction of Transmission Network Revenue) of this licence as in force on 31 March 2021.

- 7.5.4 The value of $LTRU_t$ for Regulatory Years commencing on or after 1 April 2025 is zero.

Special Condition 7.6 Close out of the RIIO-ET1 stakeholder satisfaction output ($LSSO_t$)

Introduction

- 7.6.1 The purpose of this condition is to calculate the term $LSSO_t$ (the RIIO-ET1 stakeholder satisfaction output close out term). This contributes to the calculation of the legacy adjustments term in Special Condition 7.1 (Legacy adjustments to revenue), which in turn feeds into Allowed Revenue in Special Condition 2.1 (Revenue restriction).
- 7.6.2 The effect of this condition is to close out the RIIO-ET1 stakeholder satisfaction output, such that revenue in the Regulatory Years commencing on 1 April 2021 and 1 April 2022 reflects the licensee's performance in relation to that output in the Regulatory Years commencing on 1 April 2019 and 1 April 2020 respectively.
- 7.6.3 This condition also:

- (a) sets out the process the Authority will follow when amending the Stakeholder Engagement Reward Guidance;
- (b) requires the licensee to maintain Key Performance Indicators until 1 April 2022; and
- (c) requires the licensee to maintain an External Assurance Methodology and terms of reference until 1 April 2022.

Part A: Formula for calculating the RIIO-ET1 stakeholder satisfaction output close out term ($LSSO_t$)

- 7.6.4 For the Regulatory Years commencing on 1 April 2021 and on 1 April 2022, the value of $LSSO_t$ is equal to the value of SSO_t calculated in accordance with Part A of Special Condition 3D (Stakeholder Satisfaction Output) of this licence as in force on 31 March 2021.
- 7.6.5 For Regulatory Years commencing on or after 1 April 2023, the value of $LSSO_t$ is zero.

Part B: Amendments to the Stakeholder Engagement Reward Guidance

- 7.6.6 The Authority will amend the Stakeholder Engagement Reward Guidance by direction.
- 7.6.7 Before amending the Stakeholder Engagement Reward Guidance by direction, the Authority will publish on the Authority's Website:
 - (a) the text of the amended Stakeholder Engagement Reward Guidance;
 - (b) the date on which the Authority intends the amended Stakeholder Engagement Reward Guidance to come into effect;
 - (c) the reasons for the amendments to the Stakeholder Engagement Reward Guidance; and
 - (d) a period during which representations may be made on the amendments to the Stakeholder Engagement Reward Guidance, which will not be less than 28 days.

Part C: Key Performance Indicators

- 7.6.8 The licensee must have in place Key Performance Indicators approved by the Authority.
- 7.6.9 The licensee may make revisions to its Key Performance Indicators that it considers necessary to ensure the Key Performance Indicators continue to provide an objective measure of the service provided, until and including 31 March 2022.
- 7.6.10 Before revising the Key Performance Indicators the licensee must submit to the Authority a report setting out:
 - (a) the proposed revisions to its Key Performance Indicators;

- (b) details of the consultation undertaken with stakeholders on the proposed revisions;
- (c) any representations made to the licensee in respect of the Key Performance Indicators or the proposed revisions;
- (d) how the proposed revisions provide a better measure of the service provided, including an explanation of the additions or removals proposed and how these improve the Key Performance Indicators; and
- (e) a timetable for implementation of the proposed revisions.

7.6.11 The Authority will:

- (a) approve the proposed revisions;
- (b) reject the proposed revisions; or
- (c) reject the proposed revisions and give recommendations as to alternative revisions which it considers should be made with a date by which the licensee is required to submit those revisions.

Part D: External Assurance Methodology and terms of reference

7.6.12 The licensee must have in place an External Assurance Methodology and terms of reference approved by the Authority.

7.6.13 The licensee may make revisions to its External Assurance Methodology and terms of reference to ensure that they provide an objective measure of the inclusion of stakeholder views, until and including 31 March 2022.

7.6.14 Before revising the External Assurance Methodology and terms of reference the licensee must submit to the Authority a report setting out:

- (a) the proposed revisions to the External Assurance Methodology and terms of reference;
- (b) the details of consultation undertaken with stakeholders on the proposed revisions;
- (c) any representations made to the licensee in respect of the External Assurance Methodology and terms of reference or the proposed revisions;
- (d) how the proposed revisions provide a better assessment of the inclusion of stakeholder views, including an explanation of the revisions proposed and how these improve the assessment of stakeholder views; and
- (e) a timetable for the implementation of the proposed revisions.

7.6.15 The Authority will:

- (a) approve the proposed revisions;
- (b) reject the proposed revisions; or
- (c) reject the proposed revisions and give recommendations as to alternative revisions which it considers should be made with a date by which the licensee is required to submit those revisions.

Special Condition 7.7 Close out of the RIIO-ET1 adjustment in respect of the Environmental Discretionary Reward Scheme (LEDR_t)

Introduction

- 7.7.1 The purpose of this condition is to calculate the term LEDR_t (the Environmental Discretionary Reward Scheme close out term). This contributes to the calculation of the legacy adjustments term in Special Condition 7.1 (Legacy adjustments to revenue), which in turn feeds into Allowed Revenue in Special Condition 2.1 (Revenue restriction).
- 7.7.2 The effect of the condition is to close out the RIIO-ET1 Environmental Discretionary Reward Scheme, such that revenue in the Regulatory Years commencing on 1 April 2021 and 1 April 2022 reflects the licensee's performance in relation to that output in the Regulatory Years commencing on 1 April 2019 and 1 April 2020 respectively.
- 7.7.3 This condition also sets out the process the Authority will follow when amending the Environmental Discretionary Reward Scheme Guidance.

Part A: Formula for calculating the Environmental Discretionary Reward Scheme close out term (LEDR_t)

- 7.7.4 For the Regulatory Years commencing on 1 April 2021 and on 1 April 2022, the value of LEDR_t is calculated in accordance with Part B of Special Condition 3F (Adjustment in Respect of the Environmental Discretionary Reward Scheme) of this licence as in force on 31 March 2021.
- 7.7.5 For Regulatory Years commencing on or after 1 April 2023, the value of LEDR_t is zero.

Part B: Amendments to the Environmental Discretionary Reward Scheme Guidance

- 7.7.6 The Authority will amend the Environmental Discretionary Reward Scheme Guidance by direction.
- 7.7.7 Before amending the Environmental Discretionary Reward Scheme Guidance by direction, the Authority will publish on the Authority's website:
- (a) the text of the amended Environmental Discretionary Reward Scheme Guidance;
 - (b) the date on which the Authority intends the amended Environmental Discretionary Reward Scheme Guidance to come into effect;
 - (c) the reasons for the amendments to the Environmental Discretionary Reward Scheme Guidance; and

- (d) a period during which representations may be made on the amendments to the Environmental Discretionary Reward Scheme Guidance, which will not be less than 28 days.

Special Condition 7.8 Close out of RIIO-ET1 incentive in respect of sulphur hexafluoride (SF₆) gas emissions incentive (LSFI_t)

Introduction

- 7.8.1 The purpose of this condition is to calculate the term LSFI_t (the RIIO-ET1 sulphur hexafluoride incentive close-out term). This contributes to the calculation of the legacy adjustments term in Special Condition 7.1 (Legacy adjustments to revenue), which in turn feeds into Allowed Revenue in Special Condition 2.1 (Revenue restriction).
- 7.8.2 The effect of this condition is to close out the RIIO-ET1 incentive in respect of sulphur hexafluoride gas emissions, such that revenue in the Regulatory Years commencing on 1 April 2021 and 1 April 2022 reflects the licensee's performance under that incentive in the Regulatory Years commencing on 1 April 2019 and on 1 April 2020 respectively.

Part A: Formula for calculating the RIIO-ET1 sulphur hexafluoride incentive close-out term (LSFI_t)

- 7.8.3 For the Regulatory Years commencing on 1 April 2021 and on 1 April 2022, the value of LSFI_t is equal to the value of SFI_t calculated in accordance with Part A of Special Condition 3E (Incentive in respect of sulphur hexafluoride (SF₆) gas emissions) of this licence as in force on 31 March 2021.
- 7.8.4 For the Regulatory Years commencing on or after 1 April 2023, the value of LSFI_t is zero.

Special Condition 7.9 Close out of the RIIO-ET1 reliability incentive in respect of energy not supplied (LRI_t)

Introduction

- 7.9.1 The purpose of this condition is to calculate the term LRI_t (the RIIO-ET1 reliability incentive close-out term). This contributes to the calculation of the legacy adjustments term in Special Condition 7.1 (Legacy adjustments to revenue), which in turn feeds into Allowed Revenue in Special Condition 2.1 (Revenue restriction).
- 7.9.2 The effect of this condition is to close out the RIIO-ET1 reliability incentive in respect of energy not supplied, such that revenue in the Regulatory Years commencing on 1 April 2021 and on 1 April 2022 reflects the licensee's performance under that incentive in the Regulatory Years commencing on 1 April 2019 and on 1 April 2020 respectively.

Part A: Formula for calculating the RIIO-ET1 reliability incentive close-out term (LRI_t)

- 7.9.3 For the Regulatory Years commencing 1 April 2021 and 1 April 2022, the value of LRI_t is equal to the value of RI_t calculated in accordance with Part A of Special Condition 3C (Reliability Incentive Adjustment in Respect of Energy Not Supplied) of this licence as in force on 31 March 2021.
- 7.9.4 For the Regulatory Years commencing on or after 1 April 2023, the value of LRI is zero.

Special Condition 7.10 Close out of RIIO-1 Network Outputs (NOCO_t)

Introduction

- 7.10.1 The purpose of this condition is to set out the process for deciding the term NOCO_t (the RIIO-1 Network Outputs close out term). This contributes to the calculation of the legacy adjustments term in Special Condition 7.1 (Legacy adjustments to revenue), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 7.10.2 The effect of this condition is to adjust the licensee's revenue to reflect its RIIO-1 Network Outputs delivery.

Part A: RIIO-1 Network Outputs information to be provided by the licensee

- 7.10.3 By 31 July 2021, or such later date directed by the Authority, the licensee must provide to the Authority a report consistent with the requirements of the NOMs Incentive Methodology which sets out why it considers that it has delivered:
- (a) any RIIO-1 Network Output in accordance with the relevant specifications; and
 - (b) any RIIO-1 Materially Equivalent Outputs.
- 7.10.4 By 1 December 2021, or such later date directed by the Authority, the licensee must provide to the Authority a report consistent with the requirements of the NOMs Incentive Methodology which sets out why it considers that it has delivered:
- (a) any RIIO-1 Justified Material Over-delivery; or
 - (b) any RIIO-1 Justified Material Under-delivery.

Part B: Process for modifying the NOMs Incentive Methodology

- 7.10.5 The Authority will modify the NOMs Incentive Methodology by direction.
- 7.10.6 Before making a direction under paragraph 7.10.5, the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;

- (b) the reasons for the proposed direction; and
- (c) a period during which representations on the proposed direction may be made, which will not be less than 28 days.

Part C: Process for directing the RIIO-1 Network Outputs close out term (NOCO_t)

- 7.10.7 The Authority will assess the licensee's RIIO-1 Network Outputs delivery in accordance with the principles in Appendix 1, which are further clarified and supplemented by the NOMs Incentive Methodology.
- 7.10.8 Before directing the value of NOCO_t, the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the reasons why it proposes to issue the direction; and
 - (c) a period during which representations may be made on the proposed direction, which will not be less than 56 days.

Appendix 1

Treatment of under-delivery and over-delivery of RIIO-1 Network Outputs

Incentives	Justified	Unjustified
Over-delivery	<p>Cost of over-delivery will be included in the licensee's revenue.</p> <p>The financing cost incurred by the licensee in advancing investment will be reimbursed.</p> <p>Reward of 2.5 per cent of the additional costs associated with the material over-delivery.</p>	<p>Cost of over-delivery will be included in the licensee's revenue.</p> <p>The licensee will incur the financing cost of earlier investment.</p>
Under-delivery	<p>Cost of under-delivery will be excluded from the licensee's revenue.</p> <p>The licensee will benefit from the financing cost of delayed investment.</p>	<p>Cost of under-delivery will be excluded from the licensee's revenue.</p> <p>The benefit arising to the licensee from the financing cost of delayed investment will be clawed back.</p> <p>Penalty of 2.5 per cent of the avoided costs associated with the material under-delivery.</p>

Special Condition 7.11 RIIO-ET1 network innovation competition

Introduction

- 7.11.1 The NIC ran during the RIIO-ET1 price control period to fund innovative low carbon or environmental projects. Although it will no longer run for the licensee from 1 April 2021, this condition makes provision for arrangements relating to the regulation, administration and governance of NIC Funding.
- 7.11.2 Parts A and D are supplemented by the relevant provisions of the NIC Governance Document.

Part A: The Funding Return Mechanism

- 7.11.3 The Authority may direct how Returned Project Revenues should be paid to customers through the Funding Return Mechanism, or where the Authority considers it to be appropriate, how they should be retained by the licensee.
- 7.11.4 In each Regulatory Year, in accordance with the appropriate provisions of the NIC Governance Document, the Authority will calculate and then, by direction given to the licensee, specify:
- (a) the amount of any Funding Return that the licensee must pay to the System Operator; and
 - (b) the manner in which and the timescale over which the licensee must pay that amount.

Part B: The NIC Governance Document

- 7.11.5 The licensee must comply with the NIC Governance Document.
- 7.11.6 The Authority will amend the NIC Governance Document by direction.
- 7.11.7 The Authority will publish the NIC Governance Document on the Authority's Website.
- 7.11.8 The NIC Governance Document makes and will continue to make provision about:
- (a) the process and procedures that will be in place for the assessment, approval and financing of project funding (where necessary);
 - (b) arrangements to ensure that relevant matters the licensee learned from the implementation of Eligible NIC Projects can be captured and disseminated by the licensee to other Transmission Licensees and holders of Distribution Licences;
 - (c) the nature of the reporting obligations in respect of such projects (which may include reporting in respect of the funding and the completion of such projects, as well as reporting on compliance with this condition and the provisions of the NIC Governance Document);

- (d) arrangements relating to the treatment of intellectual property rights including Returned Royalty Income in respect of Eligible NIC Projects; and
- (e) any other matters relating to the governance of the NIC.

Part C: Procedure for amending the NIC Governance Document

- 7.11.9 Before amending the NIC Governance Document by direction, the Authority will publish on the Authority's Website:
- (a) the text of the amended NIC Governance Document;
 - (b) the date on which the Authority intends the amended NIC Governance Document to come into effect;
 - (c) the reasons for the amendments to the NIC Governance Document; and
 - (d) a period during which representations may be made on the amendments to the NIC Governance Document, which will not be less than 28 days.

Part D: Successful Delivery Reward

- 7.11.10 The Authority may direct that the System Operator pay the licensee a Successful Delivery Reward, in accordance with the provisions of the NIC Governance Document.

Special Condition 7.12 Legacy net RAV additions (LRAV_t)

Introduction

- 7.12.1 This condition explains the process the Authority will follow when directing values for the term LRAV_t (the legacy RIIO-1 net RAV additions term). This contributes to the calculation of the term DPN_t (the depreciation term as calculated by the ET2 Price Control Financial Model), which in turn feeds into the Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 7.12.2 The effect is to reflect the close out of the RIIO-ET1 Price Control Financial Model.

Part A: Authority assessment and direction

- 7.12.3 The Authority will direct revisions to LRAV_t, coinciding with the Annual Iteration Process.
- 7.12.4 Before making a direction under paragraph 7.12.3 the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction; and
 - (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

Chapter 8: Governance

Special Condition 8.1 Governance of the ET2 Price Control Financial Instruments

Introduction

8.1.1 The purpose of this condition is to establish:

- (a) the ET2 Price Control Financial Instruments; and
- (b) a robust and transparent change control framework for the ET2 Price Control Financial Instruments:

Part A: The ET2 Price Control Financial Instruments

8.1.2 Each of the following ET2 Price Control Financial Instruments forms part of this condition:

- (a) the ET2 Price Control Financial Handbook; and
- (b) the ET2 Price Control Financial Model.

Part B: Assessment of the likely impact of an intended modification

8.1.3 Before initiating any modification of an ET2 Price Control Financial Instrument, the Authority will assess whether that modification would be likely to have a significant impact on any of the following persons:

- (a) the licensee;
- (b) any other Transmission Licensee in whose licence a condition equivalent to this one has effect;
- (c) any person engaged in the shipping, transportation, or supply of gas conveyed through pipes or in the generation, transmission, distribution, or supply of electricity; and
- (d) energy consumers (whether considered individually, as a whole, or by reference to any class or category of them) in Great Britain.

8.1.4 In making the assessment required by paragraph 8.1.3, the Authority will have regard to all relevant factors including:

- (a) any impact which an intended modification would be likely to have on any component of the licensee's Allowed Revenue or on any value, rate, time period, or calculation used in the determination of Allowed Revenues; and
- (b) in respect of modifications to the ET2 Price Control Financial Model, any views expressed by the ET2 Price Control Financial Model Working Group.

8.1.5 For the purposes of paragraph 8.1.3, it is to be presumed that a modification which serves to correct a manifest error contained in an ET2 Price Control Financial Instrument will not have a significant impact on any of the persons mentioned in that paragraph.

Part C: Circumstances in which a modification may be made

- 8.1.6 If, having carried out the required assessment under Part B, the Authority considers that an intended modification of an ET2 Price Control Financial Instrument would not be likely to have a significant impact on any of the persons mentioned in paragraph 8.1.3, it may modify that instrument by direction. Otherwise any modification will be made under section 11A of the Act.
- 8.1.7 Before making a direction under paragraph 8.1.6, the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction, including why the Authority believes that the modification would not be likely to have a significant impact on any of the persons mentioned in paragraph 8.1.3; and
 - (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.
- 8.1.8 A direction under paragraph 8.1.6 will set out:
- (a) the modifications to the ET2 Price Control Finance Instruments; and
 - (b) the date from which it is to have effect or the mechanism by which that date is to be determined.

Part D: Availability and updating of ET2 Price Control Financial Instruments

- 8.1.9 This Part has effect in relation to the publication and availability of the ET2 Price Control Financial Handbook, and the ET2 Price Control Financial Model.
- 8.1.10 The Authority will ensure that any modifications of the ET2 Price Control Financial Handbook, whether under Part C or otherwise, are promptly incorporated into a consolidated version of the ET2 Price Control Financial Handbook maintained on the Authority's Website.
- 8.1.11 The Authority will ensure that any modifications of the ET2 Price Control Financial Model, whether under Part C or otherwise, are promptly incorporated into a consolidated version of the ET2 Price Control Financial Model maintained on the Authority's Website.
- 8.1.12 Without limiting the general effect of paragraph 8.1.11, the Authority will, by no later than 30 November prior to each Regulatory Year:
- (a) publish on the Authority's Website, in Microsoft Excel ® format, the version of the ET2 Price Control Financial Model that will be used to calculate and publish the value of the term AR_t in accordance with the calculation set out in Part C of Special Condition 2.1 (Revenue restriction);
 - (b) ensure that the electronic name of the file is "ET2 PCFM" followed by "November 20XX" where 20XX represents the calendar year containing the month of November prior to the Regulatory Year;

- (c) ensure that the words “ET2 Price Control Financial Model for the Annual Iteration Process that will take place by 30 November” followed by the preceding Regulatory Year expressed in the format 20XX/XX are included as text within the file itself; and
 - (d) publish an up-to-date schedule of any modifications that have been made to the ET2 Price Control Financial Model, whether under Part C or otherwise, up to and including the date of such publication.
- 8.1.13 The first Regulatory Year in which the Authority will publish a version of the ET2 Price Control Financial Model on the Authority’s Website for the purposes of paragraph 8.1.12 will be Regulatory Year 2021/22 and the last Regulatory Year will be 2024/25.

Special Condition 8.2 Annual Iteration Process for the ET2 Price Control Financial Model

Introduction

- 8.2.1 The purpose of this condition is to set out the steps of the Annual Iteration Process that will be carried out by the licensee and the Authority each year in relation to the ET2 Price Control Financial Model, in order to calculate and publish the value of the terms $ADJR_t$ and AR_t in accordance with Special Condition 2.1 (Revenue restriction).
- 8.2.2 This condition also explains the process the Authority will follow in issuing and amending the PCFM Guidance.

Part A: Steps comprising the Annual Iteration Process

- 8.2.3 The paragraphs in this Part set out the steps that comprise the Annual Iteration Process.
- 8.2.4 Step 1: The licensee must, by 31 August 2021 and by 31 July prior to each Regulatory Year, thereafter:
- (a) use the version of the ET2 Price Control Financial Model published by the Authority in accordance with paragraph 8.1.12 or where there has been a republication, the version most recently published to complete the PCFM Variable Values table with the PCFM Variable Values in accordance with the PCFM Guidance;
 - (b) run the macro on the “UserInterface” sheet of the ET2 Price Control Financial Model to calculate the value of the terms $ADJR_t$ and AR_t ;
 - (c) save the ET2 Price Control Financial Model; and
 - (d) submit the ET2 Price Control Financial Model to the Authority.
- 8.2.5 Step 2: The Authority will, taking into account any decisions made by it in relation to PCFM Variable Values under Chapters 2 to 7 of this licence:

- (a) review the ET2 Price Control Financial Model submitted by the licensee and confirm or amend any PCFM Variable Values; or
 - (b) where the licensee has not complied with Step 1, complete the PCFM Variable Values table.
- 8.2.6 Step 3: The Authority will run the macro on the “UserInterface” sheet of the ET2 Price Control Financial Model to calculate the value of the terms $ADJR_t$ and AR_t .
- 8.2.7 Step 4: The Authority will publish the value of the terms $ADJR_t$ and AR_t on the Authority's Website in accordance with Part B.
- 8.2.8 In relation to Step 1 in paragraph 8.2.4:
 - (a) where a PCFM Variable Value is not known at the time of submission, the licensee must calculate that value in accordance with the ET2 Price Control Financial Handbook or the PCFM Guidance, as applicable and otherwise provide its best estimate using the information available at the time; and
 - (b) where any PCFM Variable Value relies on a third-party publication that ceases to be published or no longer contains the value required, the value from the most recent publication that did contain the value, or an alternate input agreed to by the Authority must be used.

Part B: Publication of the value of the terms $ADJR_t$ and AR_t

- 8.2.9 The value of the terms $ADJR_t$ and AR_t will be published by the Authority no later than 30 November prior to each Regulatory Year. The published or republished values for the terms $ADJR_t$ and AR_t must be used by the licensee when setting Network Charges in accordance with Special Condition 2.1 (Transportation owner revenue restriction).
- 8.2.10 The Authority may re-publish the values of the terms $ADJR_t$ and AR_t , by the end of January prior to the Regulatory Year t .
- 8.2.11 Before publishing or re-publishing the value of the terms $ADJR_t$ and AR_t , the Authority will:
 - (a) send to the licensee:
 - (b) a notice stating the value for the terms $ADJR_t$ and AR_t that it proposes to publish; and
 - (c) a copy of the ET2 Price Control Financial Model, which will contain the data used to calculate the value proposed for the terms $ADJR_t$ and AR_t ; and
 - (d) specify a period during which representations may be made on the value of the terms $ADJR_t$ and AR_t , which will not be less than 14 days.

Part C: What if the Annual Iteration Process is not completed by 30 November?

- 8.2.12 If the Authority does not publish a value for the terms $ADJR_t$ and AR_t by 30 November prior to any Regulatory Year, then the Annual Iteration Process will

not have been completed and the provisions set out in paragraphs 8.2.13 and 8.2.14 will apply.

- 8.2.13 The Authority will complete the Annual Iteration Process as soon as is reasonably practicable after 30 November by publishing a value for the terms $ADJR_t$ and AR_t .
- 8.2.14 In the intervening period (Between the 30 November and the date on which the value of AR_t is published under paragraph 8.2.13), the value of the terms $ADJR_t$ and AR_t will be held to be equal to a value ascertained by:
- (a) taking a copy of the ET2 Price Control Financial Model in its state following the last completed Annual Iteration Process or re-publication which, for the avoidance of doubt, will exclude the effect of any functional modifications under paragraph 8.1.6 of Special Condition 8.1 (Governance of the ET2 Price Control Financial Instruments) made after the completion of that Annual Iteration Process);
 - (b) using the selection facilities on the “UserInterface” sheet contained in that copy of the ET2 Price Control Financial Model to select:
 - (c) the name of the licensee; and
 - (d) the Regulatory Year equating to the Regulatory Year t ;
 - (e) pressing the “Run for One” macro button on the “UserInterface” sheet; and
 - (f) recording the value of the terms $ADJR_t$ and AR_t for the licensee that is shown as an output value of the “SavedResults” sheet.

Part D: The final year of the ET2 Annual Iteration Process and other clarifications

- 8.2.15 The last Regulatory Year in which there will be an Annual Iteration Process for the ET2 Price Control Financial Model is 2024/2025 for the purpose of determining the value of the terms $ADJR_t$ and AR_t for Regulatory Year 2025/26.
- 8.2.16 For the avoidance of doubt, neither:
- (a) an Annual Iteration Process for the ET2 Price Control Financial Model carried out in accordance with this condition, including in particular the steps set out in Part A; nor
 - (b) a change to the Regulatory Year included in the name of and text within the ET2 Price Control Financial Model (as referred to at paragraphs 8.1.12 (b) and (c)) of Special Condition 8.1 (Governance of the ET2 Price Control Financial Instruments),
 - (c) will constitute a modification of the ET2 Price Control Financial Model within the meaning of Part C of Special Condition 8.1.
- 8.2.17 Where any PCFM Variable Values are revised for years earlier than Regulatory Year t , the effect of using those revised values in the Annual Iteration Process will, subject to a Time Value of Money Adjustment, be reflected in the calculation of the value of the terms $ADJR_t$ and AR_t for Regulatory Year t and,

for the avoidance of doubt, it will not have any retrospective effect on a previously published value of the term $ADJR_t$.

Part E: The PCFM Guidance

- 8.2.18 The licensee must comply with the PCFM Guidance when completing the Annual Iteration Process.
- 8.2.19 The Authority will issue and amend the PCFM Guidance by direction.
- 8.2.20 The Authority will publish the PCFM Guidance on the Authority's Website by the PCFM functional change cut-off date set out in the ET2 Price Control Financial Handbook.
- 8.2.21 The PCFM Guidance will make provision about:
- (a) instructions and guidance on how to populate the PCFM Variable Values for submission for an Annual Iteration Process;
 - (b) instructions and guidance on the process and timeframe for reporting and submitting the required data; and
 - (c) any requirements for supporting information, documentation or commentary that are to be submitted.
- 8.2.22 Before issuing the PCFM Guidance by direction, the Authority will publish on the Authority's Website:
- (a) the text of the proposed PCFM Guidance;
 - (b) the date on which the Authority intends the PCFM Guidance to come into effect; and
 - (c) a period during which representations may be made on the content of the PCFM Guidance, which will not be less than 28 days.
- 8.2.23 Before amending the PCFM Guidance by direction, the Authority will publish on the Authority's Website:
- (a) the text of the proposed amended PCFM Guidance;
 - (b) the date on which the Authority intends the amended PCFM Guidance to come into effect;
 - (c) the reasons for the amendments to the PCFM Guidance; and
 - (d) a period during which representations may be made on the amendments to the PCFM Guidance, which will not be less than 28 days.

Chapter 9: General Obligations

Special Condition 9.1 Annual Environmental Report

Introduction

- 9.1.1 This condition requires the licensee to prepare and publish an Annual Environmental Report.
- 9.1.2 The purpose of an Annual Environmental Report is to increase the public transparency and accountability of the licensee in relation to the impacts of its business and network activities on the environment, and in relation to the licensee's progress against its Environmental Action Plan Commitments.
- 9.1.3 This condition also explains the process the Authority will follow in issuing and amending the Environmental Reporting Guidance, which the licensee must comply with when preparing its Annual Environmental Report.

Part A: Requirement to prepare and publish an Annual Environmental Report

- 9.1.4 The licensee must prepare an Annual Environmental Report in accordance with the Environmental Reporting Guidance.
- 9.1.5 The licensee must publish an Annual Environmental Report for the preceding Regulatory Year on, or before, the date specified in the Environmental Reporting Guidance.
- 9.1.6 The licensee must ensure its Annual Environmental Report is readily accessible to the public from the licensee's website.

Part B: Environmental Reporting Guidance

- 9.1.7 The Authority will issue and amend Environmental Reporting Guidance by direction.
- 9.1.8 The Authority will publish Environmental Reporting Guidance on the Authority's Website.
- 9.1.9 The Environmental Reporting Guidance will set out how the licensee must prepare its Annual Environmental Report, including the following:
 - (a) the engagement the licensee is required to undertake with stakeholders to help inform the development of its Annual Environmental Report;
 - (b) the requirements for the structure and level of detail to be included in the Annual Environmental Report, including some of the data metrics to be used, as well as expectations about the level of explanatory text to be included; and
 - (c) the environmental impacts, relevant Environmental Action Plan Commitments, business practices, existing obligations and activities that must be covered in the Annual Environmental Report.

- 9.1.10 Before issuing the Environmental Reporting Guidance by direction, the Authority will publish on the Authority's Website:
- (a) the text of the proposed Environmental Reporting Guidance;
 - (b) the date on which the Authority intends the Environmental Reporting Guidance to come into effect; and
 - (c) a period during which representations may be made on the content of the Environmental Reporting Guidance, which will not be less than 28 days.
- 9.1.11 Before amending the Environmental Reporting Guidance by direction, the Authority will publish on the Authority's Website:
- (a) the text of the amended Environmental Reporting Guidance;
 - (b) the date on which the Authority intends the amended Environmental Reporting Guidance to come into effect, which, unless agreed with the licensee, will not be before three months or the commencement of the next Regulatory Year, whichever is later;
 - (c) the reasons for the amendments to the Environmental Reporting Guidance;
 - (d) how the proposed reporting requirements provide an appropriate balance between the costs of reporting and benefit of the information created; and
 - (e) a period during which representations may be made on the amendments to the Environmental Reporting Guidance, which will not be less than 28 days.

Special Condition 9.2 Network Asset Risk Metric methodology

Introduction

- 9.2.1 The purpose of this condition is to set out the requirements on the licensee in respect of the NARM Methodology.
- 9.2.2 It also sets out the process for modifying the NARM Methodology.

Part A: Requirement to have a NARM Methodology

- 9.2.3 The licensee must have in place and act in accordance with a NARM Methodology that facilitates the achievement of the NARM Objectives.
- 9.2.4 The NOMs Methodology in effect on 31 March 2021 is deemed to be the NARM Methodology in effect from 1 April 2021 until superseded.

Part B: The NARM Objectives

- 9.2.5 The NARM Objectives are:
- (a) to provide transparent, logical links between:
 - i. the Asset Data that the licensee collects through inspections, maintenance, and other asset management activities;
 - ii. the data that the licensee inputs into its Asset Management Systems;
 - iii. the licensee's asset management decisions; and

- iv. where relevant, the licensee's whole system investment decisions;
- (b) to enable the Authority to establish the licensee's Baseline Network Risk Outputs and to undertake an objective assessment of the licensee's Baseline Network Risk Outputs delivery;
- (c) to enable the robust estimation of Current Monetised Risk, Forecast Monetised Risk, Single-year Monetised Risk, and Long-term Monetised Risk of asset failure for:
 - i. each NARM Asset Category;
 - ii. individual NARM Assets within each NARM Asset Category; and
 - iii. the licensee's Transmission System;
- (d) to enable the robust estimation of the Current Monetised Risk and Long-term Monetised Risk benefits delivered, or expected to be delivered, through interventions on specific assets or groups of assets;
- (e) to provide inputs to help explain and justify, through Cost-Benefit Analysis:
 - i. the licensee's investment plans for managing and renewing its NARM Assets; and
 - ii. the licensee's outturn delivery of investment options;
- (f) to enable the identification and quantification of drivers leading to changes in Monetised Risk over time;
- (g) to enable the comparative analysis of Monetised Risk between:
 - i. different NARM Asset Categories and between individual NARM Assets on the licensee's Transmission System;
 - ii. geographic areas of, and NARM Assets within, the licensee's Transmission System;
 - iii. the licensee's Transmission System and other networks within the same sector;
 - iv. the licensee's Transmission System and networks outside Great Britain with similar assets should similar approaches as set out in the NARM Methodology be applied to estimate Monetised Risk for those networks; and
 - v. the Transmission Systems and Distribution Systems within Great Britain; and
- (h) to enable the communication to the Authority and other interested parties of relevant information about the licensee's Transmission System in an accessible and transparent manner.

Part C: Modification of the NARM Methodology

- 9.2.6 The licensee must, at least once every year, review the NARM Methodology to identify scope for modifications that would better facilitate the achievement of the NARM Objectives.

- 9.2.7 Where the licensee has identified scope for modifications that better facilitate the achievement of the NARM Objectives, it must notify the Authority of the timeframes within which it will propose the relevant modifications to the NARM Methodology.
- 9.2.8 Where the licensee proposes a modification to the NARM Methodology, it must:
- (a) consult other Network Licensees to which a condition of equivalent effect to this condition applies and with any other interested parties, allowing them a period of at least 28 days within which to make any representations on the proposed modification;
 - (b) submit to the Authority a report containing:
 - (c) a statement explaining the proposed modification to the NARM Methodology; and
 - (d) an explanation of how, in the licensee's opinion, the proposed modification, if made, would better facilitate the achievement of the NARM Objectives;
 - (e) submit to the Authority a draft NARM Methodology that incorporates the proposed modification;
 - (f) submit to the Authority any relevant subsidiary or supporting documents, data files, or quantitative models;
 - (g) submit to the Authority a full and fair summary of any representations that were made to the licensee pursuant to sub-paragraph (a) above and not withdrawn;
 - (h) submit to the Authority an explanation of any changes to the modification proposal that the licensee has made as a consequence of the representations received;
 - (i) submit to the Authority a presentation of the data and any other relevant information (including historical data, which should be provided, where reasonably practicable and relevant, for a period of at least ten years prior to the date of the modification proposal) the licensee has used for the purpose of developing the proposed modification;
 - (j) submit to the Authority a plan setting out how the licensee intends to rebase its Baseline Network Risk Outputs, if Rebasing is a necessary consequence of implementing the proposed modification; and
 - (k) submit to the Authority a timetable for the implementation of the proposed modification, including a date for submission of Rebased Baseline Network Risk Outputs, if necessary.
- 9.2.9 The Authority will by direction:
- (a) approve the proposed modification;
 - (b) approve the proposed modification with amendments; or
 - (c) reject the proposed modification.

- 9.2.10 In the case of paragraph 9.2.9(a) or (b) the Authority may also direct the date by which the licensee must submit Rebased Baseline Network Risk Outputs in accordance with Special Condition 3.1 (Baseline Network Risk Outputs).
- 9.2.11 The licensee must implement the modification directed under paragraph 9.2.9(a) or (b) by such date as may be set out in that direction.
- 9.2.12 Before issuing a direction under paragraph 9.2.9, the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the reasons why it proposes to issue the direction; and
 - (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

Special Condition 9.3 Price Control Deliverable Reporting Requirements and Methodology Document

Introduction

- 9.3.1 The purpose of this condition is to require the licensee to report to the Authority on the delivery of its Evaluative PCDs.
- 9.3.2 This condition also provides for the issuing and amending of the PCD Reporting Requirements and Methodology Document, which:
- (a) the licensee needs to comply with when preparing its reports; and
 - (b) sets out the methodology the Authority will use to assess the delivery of Price Control Deliverables.

Part A: Reporting requirement

- 9.3.3 The licensee must by 31 July of each Regulatory Year, or such later date directed by the Authority, send to the Authority a Basic PCD Report on each Evaluative PCD output for which the delivery date specified in the relevant licence condition was in the previous Regulatory Year.
- 9.3.4 Where directed to do so by the Authority the licensee must send to the Authority a Full PCD Report.

Part B: PCD Reporting Requirements and Methodology Document

- 9.3.5 The licensee must comply with the PCD Reporting Requirements and Methodology Document when preparing a report required by Part A.
- 9.3.6 The Authority will issue and amend the PCD Reporting Requirements and Methodology Document by direction.
- 9.3.7 The Authority will publish the PCD Reporting Requirements and Methodology Document on the Authority's Website.
- 9.3.8 The PCD Reporting Requirements and Methodology Document will set out:

- (a) how the licensee must prepare the reports required by Part A; and
 - (b) the methodology the Authority will use when deciding:
 - i. whether to direct a value to reduce allowances for Price Control Deliverables that have not been Fully Delivered; and
 - ii. the value to direct.
- 9.3.9 Before issuing the PCD Reporting Requirements and Methodology Document by direction, the Authority will publish on the Authority's Website:
- (a) the text of the proposed PCD Reporting Requirements and Methodology Document;
 - (b) the date on which the Authority intends the PCD Reporting Requirements and Methodology Document to come into effect; and
 - (c) a period during which representations may be made on the content of the PCD Reporting Requirements and Methodology Document, which will not be less than 28 days.
- 9.3.10 Before amending the PCD Reporting Requirements and Methodology Document by direction, the Authority will publish on the Authority's Website:
- (a) the text of the amended PCD Reporting Requirements and Methodology Document;
 - (b) the date on which the Authority intends the amended PCD Reporting Requirements and Methodology Document to come into effect;
 - (c) the reasons for the amendments to the PCD Reporting Requirements and Methodology Document; and
 - (d) a period during which representations may be made on the amendments to the PCD Reporting Requirements and Methodology Document, which will not be less than 28 days.

Special Condition 9.4 Re-opener Guidance and Application Requirements Document

Introduction

- 9.4.1 This condition requires the licensee to prepare applications for Re-openers in accordance with the Re-opener Guidance and Application Requirements Document.
- 9.4.2 This condition also explains the process the Authority will follow in issuing and amending the Re-opener Guidance and Application Requirements Document.

Part A: Requirement to comply with the Re-opener Guidance and Application Requirements Document

- 9.4.3 The licensee must prepare any applications for Re-openers in accordance with any applicable provisions of the Re-opener Guidance and Application Requirements Document.

Part B: Re-opener Guidance and Application Requirements Document

- 9.4.4 The Authority will issue and amend the Re-opener Guidance and Application Requirements Document by direction.
- 9.4.5 The Authority will publish the Re-opener Guidance and Application Requirements Document on the Authority's Website.
- 9.4.6 The Re-opener Guidance and Application Requirements Document will set out how the licensee must prepare its applications for Re-openers, including the following:
- (a) the Re-openers to which the document applies;
 - (b) the level of detail required in the application;
 - (c) any requirement to publish the application;
 - (d) when it is appropriate to make redactions in published applications; and
 - (e) any requirement for assurance.
- 9.4.7 Before issuing the Re-opener Guidance and Application Requirements Document by direction, the Authority will publish on the Authority's Website:
- (a) the text of the proposed Re-opener Guidance and Application Requirements Document;
 - (b) the date on which the Authority intends the Re-opener Guidance and Application Requirements Document to come into effect; and
 - (c) a period during which representations may be made on the content of the Re-opener Guidance and Application Requirements Document, which will not be less than 28 days.
- 9.4.8 Before amending the Re-opener Guidance and Application Requirements Document by direction, the Authority will publish on the Authority's Website:
- (a) the text of the amended Re-opener Guidance and Application Requirements Document;
 - (b) the date on which the Authority intends the amended Re-opener Guidance and Application Requirements Document to come into effect;
 - (c) the reasons for the amendments to the Re-opener Guidance and Application Requirements Document; and
 - (d) a period during which representations may be made on the amendments to the Re-opener Guidance and Application Requirements Document, which will not be less than 28 days.

Special Condition 9.5 Digitalisation

Introduction

- 9.5.1 The purpose of this condition is to set out the licensee's obligations to:
- (a) have a Digitalisation Strategy;
 - (b) have a Digitalisation Action Plan;
 - (c) update its Digitalisation Strategy and its Digitalisation Action Plan;
 - (d) comply with DSAP Guidance; and
 - (e) take account of Data Best Practice Guidance.
- 9.5.2 This condition also sets out the process the Authority will follow when issuing and amending DSAP Guidance and Data Best Practice Guidance.

Part A: Requirements of the Digitalisation Strategy

- 9.5.3 The licensee must publish its Digitalisation Strategy on, or before, 31 March 2022.
- 9.5.4 The licensee must review the progress it has made against its Digitalisation Strategy, and update its Digitalisation Strategy intervals specified in the DSAP Guidance.
- 9.5.5 The licensee must:
- (a) publish its Digitalisation Strategy, and updates to its Digitalisation Strategy, on the licensee's website where they are readily accessible to the public;
 - (b) maintain an archive of all published versions of its Digitalisation Strategy on the licensee's website where they are readily accessible to the public; and
 - (c) notify the Authority of any updates to the Digitalisation Strategy.

Part B: Requirements of the Digitalisation Action Plan

- 9.5.6 The licensee must publish its Digitalisation Action Plan on, or before, 30 June 2021.
- 9.5.7 The licensee must review the progress it has made against and update its Digitalisation Action Plan intervals specified in the DSAP Guidance.
- 9.5.8 The licensee must:
- (a) publish its Digitalisation Action Plan, and each update to its Digitalisation Action Plan, on the licensee's website where they are readily accessible to the public;
 - (b) maintain an archive of all published versions of its Digitalisation Action Plan on the licensee's website where they are readily accessible to the public; and
 - (c) notify the Authority of any updates to the Digitalisation Action Plan.

Part C: DSAP Guidance.

- 9.5.9 The licensee must comply with the DSAP Guidance when:
- (a) preparing and updating its Digitalisation Strategy; and
 - (b) preparing and updating its Digitalisation Action Plan.
- 9.5.10 The Authority will issue and amend the DSAP Guidance by direction.
- 9.5.11 The Authority will publish the DSAP Guidance on the Authority's Website.
- 9.5.12 The DSAP Guidance will make provision about:
- (a) how the licensee should work towards digitalisation;
 - (b) how the licensee should set out in its Digitalisation Strategy and Digitalisation Action Plan how it intends to use Energy System Data to generate benefits for consumers and stakeholders and the specific actions it will take to achieve that outcome;
 - (c) the form and content of the Digitalisation Strategy and the Digitalisation Action Plan, including:
 - (d) the structure, content and level of detail of each;
 - (e) the types of activities that should be covered in each;
 - (f) any required information associated with those activities; and
 - (g) the engagement the licensee is required to undertake with stakeholders to help inform the development of its Digitalisation Strategy and its Digitalisation Action Plan.

Part D: Requirement to employ data best practice

- 9.5.13 The licensee must, when conducting work that involves working with or making decisions about the use of Energy System Data, use its best endeavours to act in accordance with Data Best Practice Guidance.
- 9.5.14 The Authority will issue and amend Data Best Practice Guidance by direction.
- 9.5.15 The Authority will publish Data Best Practice Guidance on the Authority's Website.
- 9.5.16 Data Best Practice Guidance will make provision about how the Authority expects the licensee to comply with data best practice to generate benefits for consumers and stakeholders, including but not limited to ensuring services that involve Energy System Data are designed to meet the needs of consumers and those who directly use the services.

Part E: Process for issuing and amending guidance

- 9.5.17 Before issuing DSAP Guidance or Data Best Practice Guidance by direction, the Authority will publish on the Authority's Website:
- (a) the text of the proposed guidance;

- (b) the date on which the Authority intends the guidance to come into effect; and
 - (c) a period during which representations may be made on the content of the guidance, which will not be less than 28 days.
- 9.5.18 Before amending DSAP Guidance or Data Best Practice Guidance by direction, the Authority will publish on the Authority's Website:
- (a) the text of the amended guidance;
 - (b) the date on which the Authority intends the amended guidance to come into effect;
 - (c) the reasons for the amendments to the guidance; and
 - (d) a period during which representations may be made on the amendments to the guidance, which will not be less than 28 days.

Special Condition 9.6 Disapplication of Relevant Special Conditions

Introduction

- 9.6.1 The purpose of this condition is to enable the licensee to make a formal request for the disapplication of the Relevant Special Conditions (in whole or in part) and for such provisions to be disapplied following a request in the circumstances specified.

Part A: Procedure for making a Disapplication Request

- 9.6.2 The licensee may submit a Disapplication Request in writing to the Authority.
- 9.6.3 A Disapplication Request must:
- (a) specify to which of the Relevant Special Conditions (or any part or parts of them) the request relates;
 - (b) provide a full statement of the licensee's reasons for making the request;
 - (c) contain such other information or analysis as the licensee considers sufficient to enable the Authority to fully assess the Disapplication Request; and
 - (d) state the Disapplication Date that the licensee proposes (which must not be earlier than the appropriate date mentioned in Part B).
- 9.6.4 A Disapplication Request may be submitted only in respect of a specified geographical area.
- 9.6.5 The Authority may, during the period of 28 days beginning with the date of receipt of a Disapplication Request, give notice to the licensee:
- (a) specifying further information or analysis that the Authority reasonably considers is required in order to fully assess the Disapplication Request; and

(b) requesting the licensee to provide that information or analysis.

9.6.6 The licensee may withdraw a Disapplication Request at any time.

Part B: Date from which a disapplication may take effect

9.6.7 The Disapplication Date specified in a Disapplication Request must be after the period of 18 months beginning with the date of the submission of the Disapplication Request, unless the Authority consents in writing to an earlier date.

9.6.8 If paragraph 9.6.5 applies, a Disapplication Request will be treated as submitted when that further information or analysis is received by the Authority and, if in consequence the Disapplication Date set out in the Disapplication Request no longer complies with paragraph 9.6.7, the Disapplication Date will be treated as being the earliest date that would comply with that paragraph.

Part C: Licensee's right to terminate under a Disapplication Request

9.6.9 If the licensee has submitted to the Authority a Disapplication Request that complies with the requirements of Parts A and B, it may subsequently give the Authority a Disapplication Notice:

(a) in the circumstance described in Part D; or

(b) in the circumstance described in Part E.

9.6.10 In either case the Disapplication Notice may not take effect before the Disapplication Date or such earlier date to which the Authority may have consented under Part B.

Part D: Termination without involvement of the Competition and Markets Authority

9.6.11 The circumstance referred to in paragraph 9.6.9(a) is that by the beginning of the period of six months ending with the Disapplication Date, the Authority has not in response to the Disapplication Request published a decision under section 11A(7) of the Act to modify:

(a) the Relevant Special Conditions (or any part or parts of them) to which the Disapplication Request applies; or

(b) this Condition so as to remove the licensee's right to give the Authority a Disapplication Notice in respect of the relevant Disapplication Request.

Part E: Termination after involvement of the Competition and Markets Authority

9.6.12 The circumstance referred to in paragraph 9.6.9(b) is that the Authority has published a decision as described in paragraph 9.6.11(a) or 9.6.11(b) and:

- (a) the licensee has exercised its right to appeal to the Competition and Markets Authority against that decision of the Authority as provided for by section 11C of the Act;
- (b) the Competition and Markets Authority, acting under section 11F of the Act, has, in respect of the provision to which the Disapplication Notice relates:
- (c) quashed the Authority's decision, and
- (d) neither remitted the matter back to the Authority under section 11F(2)(b) of the Act nor substituted its own decision for that of the Authority's under section 11F(2)(c) of the Act; and
- (e) no more than 30 days have elapsed since the date on which the Competition and Markets Authority quashed the decision in the circumstances described in paragraph 9.6.12(b)(i).

Special Condition 9.7 Directly Remunerated Services

Introduction

- 9.7.1 The purpose of this condition is to set out the basis on which services provided by the licensee will be treated as Directly Remunerated Services under the special conditions.
- 9.7.2 The effect of this condition is that revenue derived by the licensee from the provision of Directly Remunerated Services is excluded from the calculation of Allowed Revenue.
- 9.7.3 This condition also explains the process that the Authority will follow when directing that services provided by the licensee should be treated, or should not be treated, as Directly Remunerated Services.

Part A: Licensee's obligation to exclude Directly Remunerated Services

- 9.7.4 The licensee must exclude revenue derived from Directly Remunerated Services from Allowed Revenue.
- 9.7.5 Directly Remunerated Services are:
 - (a) services that comply with the general principle set out in Part B;
 - (b) the services listed in Part C to the extent that they comply with the general principle in Part B; or
 - (c) services that the Authority directs are to be treated as Directly Remunerated Services to the extent that they comply with the general principle in Part B.
- 9.7.6 Services are not to be treated as Directly Remunerated Services if the Authority so directs to the extent that such direction will comply with the general principle in Part B.

Part B: Statement of general principle

- 9.7.7 The general principle is that a service provided by the licensee as part of its Licensed Activities is to be treated as a Directly Remunerated Service if and to the extent that the service is not already remunerated under any of the charges listed in paragraph 9.7.8.
- 9.7.8 The charges referred to in paragraph 9.7.7 are:
- (a) Network Charges, under the provisions of Special Condition 2.1 (Revenue restriction); and
 - (b) charges arising from any activity carried out under the provisions of Special Condition 7.11 (RIIO-ET1 network innovation competition) which results in Returned Royalty Income for the licensee.

Part C: Categories of Directly Remunerated Services

- 9.7.9 The descriptions of categories of Directly Remunerated Services set out at paragraph 9.7.10 are to be read and given effect subject to any further explanation or elaboration of any of those descriptions that might be set out in the RIGs.
- 9.7.10 Directly Remunerated Services will include the following services:
- (a) DRS1. Connection services: This category consists of the carrying out of works (including any necessary reinforcement works or diversionary works) to install, operate, repair, or maintain electric lines, electrical plant, or meters necessary to provide any new connection or modify any existing connection to the licensee's Transmission System, (but only to the extent that the service is not already remunerated under one of the charges set out at paragraph 9.7.8).
 - (b) DRS2. Diversionary works under an obligation: This category consists of the relocating of any electric line or electrical plant (including the carrying out of any associated works) pursuant to any statutory obligation other than one imposed on the licensee under section 9(2) (General duties of licence holders) of the Act, where the statutory obligation makes provision for the reimbursement of the costs incurred.
 - (c) DRS3. Works required by any alteration of premises: This category consists of the moving of any electric line or electrical plant that forms part of the licensee's Transmission System to accommodate the extension, redesign, or redevelopment of any premises on which the asset in question is located or to which it is connected.
 - (d) DRS4. Telecommunications and information technology infrastructure services: This category consists of allowing the use of any electric line or electrical plant that forms part of the licensee's transmission system to carry, either directly or indirectly (including by the incorporation of third party equipment), electronic information and data.

- (e) DRS5. Outage Changes: The net costs reasonably incurred by the licensee as a result of any Outage Change as reimbursed by the System Operator.
- (f) DRS6. Emergency Services: (Not applicable to Electricity Transmission).
- (g) DRS7. PARCA Activities: (Not applicable to Electricity Transmission).
- (h) DRS8. Independent System Operation: (Not applicable to Electricity Transmission).
- (i) DRS9. Network Innovation Funding: Payments made by the System Operator to the licensee in respect of NIC funding in accordance with Special Condition 7.11 (RIIO-ET1 network innovation competition).
- (j) DRS10. Value Added Services: (Not applicable to Electricity Transmission).
- (k) DRS11. Top-up, standby, and enhanced system security: (Not applicable to Electricity Transmission).
- (l) DRS12. Revenue protection services: (Not applicable to Electricity Transmission).
- (m) DRS13. Metering Services: (Not applicable to Electricity Transmission).
- (n) DRS14. Smart Meter Roll-out rechargeable services: (Not applicable to Electricity Transmission).
- (o) DRS15. Miscellaneous: This category consists of the provision of any other service (including the provision of electric lines or electrical plant) that:
 - (p) is for the specific benefit of any third party who requests it; and
 - (q) is not made available by the licensee as a normal part of the activities of its Transmission Business Activities.

Part D: Procedure for issuing directions

- 9.7.11 Before issuing a direction under Part A the Authority will consider the general principle in Part B.
- 9.7.12 Any direction that the Authority issues under Part A will set out the date on which the licensee must start or cease treating services as Directly Remunerated Services.

Special Condition 9.8 Tax Reconciliation assurance statement

Introduction

- 9.8.1 This condition requires the licensee to send to the Authority an annual assurance statement in relation to the Tax Reconciliation template and sets out the form of that statement.

Part A: Assurance Statement

- 9.8.2 The licensee must by 31 July of each Regulatory Year starting from 01 April 2023 send to the Authority an assurance statement, relating to Regulatory Year t-2 that:

- (a) has been approved by resolution of the licensee's board of directors;
 - (b) is signed by a director of the licensee pursuant to the resolution in subparagraph (a); and,
 - (c) is set out in the form prescribed in paragraph 9.8.3 or where paragraph 9.8.4 applies in the form prescribed in paragraph 9.8.5.
- 9.8.3 In accordance with the requirements of paragraph 9.8.2 of Special Condition 9.8 (Tax Reconciliation assurance statement), the Directors of [licensee] ("the licensee") hereby certify that for the Regulatory Year [Regulatory Year t-2], in their opinion:
- (a) the adjusted notional tax allowance as shown in the Tax Reconciliation template represents a fair interpretation of the licensee's adjusted actual tax liability as shown in the licensee's Company Tax Return (CT600);
 - (b) the Tax Reconciliation has been submitted to the Office of Gas and Electricity Markets along with a copy of:
 - (c) the licensee's most recent CT600 as submitted to Her Majesty's Revenue and Customs;
 - (d) the licensee's most recently submitted Senior Accounting Officer (SAO2) certificate as per (b)(i); and
 - (e) the licensee's published Tax Strategy;
 - (f) where appropriate, further information has also been provided to support and explain reconciling items in accordance with the PCFM Guidance;
 - (g) all adjustments made have been appropriately explained in the Tax Reconciliation supporting commentary; and
 - (h) reconciling differences have been appropriately explained and any remaining, unexplained difference is considered immaterial, in aggregate."
- 9.8.4 Where the licensee anticipates a material, unexplained variance to arise in the Tax Reconciliation as described in Chapter 6 of the ET2 Price Control Financial Handbook, the prescribed form for the assurance statement is set out in paragraph 9.8.5.
- 9.8.5 "In accordance with the requirements of paragraph 9.8.2 of Special Condition 9.8 (Tax Reconciliation assurance statement), the Directors of [licensee] ("the licensee") hereby certify that for the Regulatory Year [Regulatory year t-2], in their opinion:
- (a) the adjusted notional tax allowance as shown in the Tax Reconciliation template does not represent a fair interpretation of the Licensee's adjusted actual tax liability as shown in the Licensee's Company Tax Return (CT600);
 - (b) the Tax Reconciliation has been submitted to the Office of Gas and Electricity Markets along with a copy of:
 - (c) the Licensee's most recent CT600 as submitted to Her Majesty's Revenue and Customs;

- (d) the licensee's most recently submitted Senior Accounting Officer (SAO2) certificate as per (b)(i); and
- (e) the Licensee's published Tax Strategy;
- (f) where appropriate, further information has also been provided to support and explain reconciling items in accordance with the PCFM Guidance;
- (g) all adjustments made have been appropriately explained in the Tax Reconciliation supporting commentary; and
- (h) a notification has been given in writing to the Authority under Chapter 6 of the ET2 Price Control Financial Handbook."

Special Condition 9.9 Activities Restrictions

Introduction

- 9.9.1 The purpose of this condition is to set out, in accordance with section 7(2A)(a) of the Act, activity restrictions on the licensee.

Part A: Activity Restrictions

- 9.9.2 Subject to the provisions of paragraph 9.9.3 (which are made in accordance with section 7(2A)(a) of the Act), the licensee is authorised by paragraph 1 of Part I (Terms of the Licence) to participate in the transmission of electricity for the purpose of giving a supply to any premises or enabling a supply to be so given.
- 9.9.3 The licensee must not:
- (a) co-ordinate or direct the flow of electricity onto or over the whole or any part of the National Electricity Transmission System except:
 - (b) where permitted to do so under the STC,
 - (c) with the written approval of the Authority, or
 - (d) where required to do so by any other licence condition; and
 - (e) outside its Transmission Area, make available assets comprising part of the National Electricity Transmission System which are intended for the purpose of conveying or affecting the flow of electricity.

Special Condition 9.10 Network Access Policy

Introduction

- 9.10.1 This condition requires the licensee to publish and act consistently with the Network Access Policy designed to facilitate efficient performance and effective liaison between the System Operator and Transmission Owners in relation to the planning, management, and operation of the National Electricity Transmission System for the benefit of consumers and network Users.

Part A: Network Access Policy

- 9.10.2 The licensee, together with the other Transmission Owners, must have in place a Network Access Policy approved by the Authority.
- 9.10.3 The licensee must incorporate the Network Access Policy into its planning and operations as part of its Licensed Activity.
- 9.10.4 The licensee must act consistently with the Network Access Policy, subject to the need to ensure the safe and secure operation of the National Electricity Transmission System as a whole or any part of it.
- 9.10.5 The Network Access Policy must include:
- (a) details of the actions that the licensee will take to coordinate with the System Operator and, if appropriate, the other Transmission Owners to ensure that planned network outage arrangements are agreed with due consideration of the long-term outcomes for consumers and network Users;
 - (b) details of the actions that the licensee will take for the purposes of responding to and managing unplanned network outages with a view to minimising its contribution to network constraints, subject to the need to ensure the safe and secure operation of the National Electricity Transmission System as a whole or any part of it;
 - (c) details of the types of circumstances that are likely to require an alternative approach to that set out in relation to paragraphs 9.10.5(a) and (b); and
 - (d) a description of the licensee's communication and coordination strategy for interacting with the System Operator, other Transmission Owners, and Users.

Part B: Revisions to the Network Access Policy

- 9.10.6 The licensee, together with the other Transmission Owners, must from time to time and at least once in every period of two Regulatory Years, review the Network Access Policy and propose such revisions as may be necessary in order to ensure that the information contained in the policy continues to be accurate and consistent with this condition.
- 9.10.7 Before revising the Network Access Policy the licensee, together with the other Transmission Owners, must submit to the Authority, the System Operator and, if appropriate, to any other relevant Transmission Licensees:
- (a) a copy of the proposed revisions;
 - (b) an explanation of the reasons for the proposed revisions; and
 - (c) such detailed supporting evidence as the licensee considers will assist the Authority in its consideration of the proposed revisions.
- 9.10.8 The Authority will:
- (a) approve the proposed revisions;

- (b) reject the proposed revisions; or
 - (c) reject the proposed revisions and give recommendations as to alternative revisions that it considers should be made.
- 9.10.9 Before taking any action under paragraph 9.10.8, the Authority will consult the Transmission Owners, the System Operator and such other interested parties as it considers appropriate.

Part C: Availability of the Network Access Policy

- 9.10.10 The licensee must ensure that the Network Access Policy is readily accessible to the public from the licensee's website.
- 9.10.11 If the Authority approves a revision to the Network Access Policy, the licensee must ensure that the Network Access Policy made available under paragraph 9.10.10 is updated during the period of ten Working Days beginning with the date of the approval.

Special Condition 9.11 Provision of information to the System Operator

Introduction

- 9.11.1 The purpose of this condition is to require the licensee to notify the System Operator of the revenue to be collected via Network Charges.

Part A: Statement of the TSP_t value

- 9.11.2 On or before 1 November and 25 January of the Regulatory Year $t-1$, the licensee must notify the System Operator of its best estimate for the TSP_t term.
- 9.11.3 TSP_t means an amount no more than AR_t as calculated in accordance with Special Condition 2.1 (Revenue restriction).
- 9.11.4 The licensee must keep under review the estimates notified to the System Operator pursuant to paragraph 9.11.2 and, if at any time, the licensee reasonably considers that the value of TSP_t , notified to the System Operator will be significantly different to the estimates previously notified to the System Operator, the licensee must notify the System Operator of the updated value for TSP_t as soon as reasonably practicable.
- 9.11.5 By 30 April of each Regulatory Year t , the licensee must provide the Authority with a statement showing the following:
- (a) the value of TSP_t notified to the System Operator in the Regulatory Year $t-1$;
 - (b) the aggregate amount of the licensee's connection charges in Regulatory Year $t-1$ which are not remunerated under Special Condition 2.1 (Revenue restriction); and
 - (c) the aggregate amount of the licensee's charges in Regulatory Year $t-1$ in respect of Outage Charges.

Special Condition 9.12 Basis of Transmission Owner Charges

Introduction

9.12.1 The purpose of this condition is to require the licensee to prepare and have in place a Statement of Transmission Owner Charges.

Part A: Statement of Transmission Owner Charges

9.12.2 The licensee must have in place a Statement of Transmission Owner Charges approved by the Authority.

9.12.3 The Statement of Transmission Owner Charges must include:

- (a) a schedule listing;
- (b) items of significant cost required for connection (at entry or exit points) to the licensee's Transmission System,
- (c) items for which site specific charges may be made or levied, and
- (d) indicative charges or, where not practicable, an explanation of the methods by which and the principles in accordance with which the charges will be calculated;
- (e) the methods by which and the principles in accordance with which:
- (f) site specific charges will be made in circumstances where the electric lines or electrical plant to be installed are (at the licensee's discretion) of greater size or capacity than that required;
- (g) any charges (including any capitalised charge) will be made for maintenance, replacement and repair required of electric lines, electrical plant or meters provided and installed for making a connection to the licensee's Transmission System; and
- (h) any charges will be made for disconnection from the licensee's Transmission System and the removal of electrical plant, electric lines and ancillary meters following disconnection; and
- (i) such other matters as are specified in directions issued by the Authority from time to time for the purpose of this condition.

9.12.4 The licensee must set site specific charges for those items referred to in paragraph 9.12.3 at a level that will enable the licensee to recover:

- (a) the appropriate proportion of the costs directly or indirectly incurred in carrying out any works for the extension or reinforcement of the licensee's Transmission System or the provision and installation, maintenance, replacement and repair or (as the case may be) removal following disconnection of any electric lines, electrical plant, meters or other items; and
- (b) a reasonable rate of return on the capital represented by such costs.

Part B: Revisions to the Statement of Transmission Owner Charges

- 9.12.5 The licensee must at least once in every Regulatory Year, review and propose such revisions to the Statement of Transmission Owner Charges as may be necessary in order to ensure that it continues to be accurate.
- 9.12.6 The Authority may direct the licensee to modify the Statement of Transmission Owner Charges in such manner, to such extent, and with effect from such time as may be specified in that direction.
- 9.12.7 Before revising the Statement of Transmission Owner Charges, under paragraph 9.12.5, the licensee must provide a copy of the proposed revisions to the Authority.
- 9.12.8 The Authority will:
- (a) approve the proposed revisions;
 - (b) reject the proposed revisions; or
 - (c) reject the proposed revisions and give recommendations as to alternative revisions that it considers should be made.
- 9.12.9 The licensee must give or send a copy of the Statement of Transmission Owner Charges, including any revision in such form and manner as the Authority may direct, to any person who requests a copy of such statement or statements.
- 9.12.10 The licensee may make a charge for any statement given or sent pursuant to paragraph 9.12.9 of an amount reflecting the licensee's reasonable costs of providing the statement, which must not exceed the maximum amount specified by the Authority by direction for the purposes of this condition.

Special Condition 9.13 Allowances in respect of a Security Period

Introduction

- 9.13.1 The purpose of this condition is to set out the process for the licensee to recover Allowed Security Costs in the event of a Security Period.

Part A: Process for the recovery of Security Costs

- 9.13.2 At any time during a Security Period, the licensee may give notice in writing to the Authority suspending, with effect from the date the notice is received by the Authority, application of the Relevant Special Conditions specified in the notice, for the remaining duration of the Security Period.
- 9.13.3 At any time during a Security Period, the Authority may by direction, enable the licensee to recover by means of an appropriate equitable increase on all of the charges made in the course of the licensee's Transmission Business an amount estimated as being equal to the licensee's Allowed Security Costs during the Security Period.
- 9.13.4 The direction will set out for the remaining duration of the Security Period any:

- (a) Relevant Special Conditions which are suspended or modified; or
 - (b) new special conditions.
- 9.13.5 Subject to paragraphs 9.13.6 and 9.13.8, the licensee may in any Regulatory Year recover an aggregate amount equal to its Allowed Security Costs in that year or (in so far as not previously recovered) in any previous year, by means of appropriate equitable increases on all of the charges made by the licensee in the course of the Transmission Business.
- 9.13.6 Paragraph 9.13.5 does not apply in so far as such Allowed Security Costs were:
- (a) otherwise recovered by the licensee; or
 - (b) taken into account by the Authority in setting the special conditions by means of a direction issued under paragraph 9.13.3 of this condition.
- 9.13.7 Following the end of each Regulatory Year the licensee must provide the Authority with details in respect of that Regulatory Year of:
- (a) the licensee's estimate of Allowed Security Costs;
 - (b) the aggregate amounts charged under paragraph 9.13.5 of this condition on account of the licensees Allowed Security Costs; and
 - (c) the basis and calculations underlying the increases in charges made by the licensee in the course of its Transmission Business.
- 9.13.8 Where the Authority is satisfied that the licensee has recovered amounts in excess of the Allowed Security Costs, the Authority may direct the licensee to take such steps as may be specified to reimburse its customers for excess amounts charged.
- 9.13.9 No amounts charged by the licensee under this condition (whether or not subsequently required to be reimbursed) will be taken into account for the purpose of applying the provisions of Special Condition 2.1 (Revenue restriction).

Special Condition 9.14 Restriction on the use of certain information

Introduction

9.14.1 This condition sets out restrictions on the use of Confidential Information.

Part A: Requirements for treatment of Confidential Information

9.14.2 The licensee (including its Affiliates and Related Undertakings) must not disclose or authorise access to Confidential Information except as provided for in Part B.

Part B: Circumstances under which the licensee can disclose Confidential Information

9.14.3 The licensee (including its Affiliates and Related Undertakings) may disclose or authorise access to Confidential Information insofar as is necessary or appropriate in the circumstances where:

- (a) paragraphs 9.16.9 to 9.16.12 of Special Condition 9.16 (Independence of and appointment of managing director of the Transmission Business) apply;
- (b) the information is only used for the purpose of the Transmission Business or any External Transmission Activities of the licensees, and effective arrangements are in place at all times for ensuring no further disclosure occurs;
- (c) disclosure of the information is required or permitted by:
- (d) any requirement of a Competent Authority;
- (e) the standard conditions of any licence granted or taking effect as if granted under the Act or any document referred to in such a licence with which the licensee is required by virtue of the Act or that licence to comply;
- (f) any court or tribunal order;
- (g) the performance of a statutory function; or
- (h) under the rules of the Electricity Arbitration Association or another arbitral body;
- (i) the licensee has been notified by the person who provided the information or by all persons to whom it relates that the information need not be treated as confidential;
- (j) the licensee makes public information which:
- (k) is not provided by another person; or
- (l) does not relate to another person; and
- (m) the information is required for the purposes of assisting other Transmission Licensees to prepare for, plan and develop the operation of a Transmission System and such other matters as will facilitate the implementation of new arrangements relating to the trading and transmission of electricity in Great Britain designed to:
 - (n) promote the creation of a single competitive wholesale electricity trading market; and
 - (o) introduce a single set of arrangements for access to and use of any Transmission System in Great Britain.

Special Condition 9.15 Appointment of a Compliance Officer

Introduction

9.15.1 The purpose of this condition is to set out requirements on the licensee to:

- (a) prepare a Compliance Statement;
- (b) appoint a Compliance Officer; and
- (c) prepare a Compliance Report.

Part A: Compliance Statement

- 9.15.2 The licensee must prepare a Compliance Statement that:
- (a) is in a form approved by the Authority; and
 - (b) sets out the practices, procedures and systems which the licensee has adopted (or intends to adopt) to ensure its compliance with the Relevant Duties.
- 9.15.3 The licensee:
- (a) must review the Compliance Statement at least once in each Regulatory Year to ensure that it continues to be accurate, and
 - (b) may, with the approval of the Authority, modify the Compliance Statement.
- 9.15.4 The licensee must send a copy of the Compliance Statement, and of each modification under paragraph 9.15.3(b), to the Authority.

Part B: Appointment of the Compliance Officer

- 9.15.5 The licensee must appoint a Compliance Officer, who must be approved by the Authority before appointment.
- 9.15.6 The licensee must arrange for the Compliance Officer to perform such functions as the licensee considers appropriate for the purposes of compliance with the Relevant Duties, including the functions set out at paragraph 9.15.9.
- 9.15.7 The licensee must, provide the Compliance Officer with the resources reasonably required for the fulfilment of the functions, including:
- (a) staff, premises, equipment, facilities and other resources; and
 - (b) access to the licensee's premises, systems, information and documentation.
- 9.15.8 The licensee must make available to the Compliance Officer a copy of any complaint or representation received in relation to any of the practices, procedures and systems adopted by the licensee in accordance with the Compliance Statement.
- 9.15.9 The functions assigned to the Compliance Officer must include:
- (a) providing relevant advice and information to the licensee for the purpose of ensuring its compliance with the Relevant Duties;
 - (b) monitoring the effectiveness of the practices, procedures and systems adopted by the licensee in accordance with the Compliance Statement;
 - (c) investigating any complaint or representation made available in accordance with paragraph 9.14.8;

- (d) recommending and advising upon the remedial action which any such investigation has demonstrated to be necessary or desirable;
- (e) providing relevant advice and information to the licensee for the purpose of ensuring its effective implementation of:
- (f) the practices, procedures and systems adopted in accordance with the Compliance Statement; and
- (g) any remedial action recommended in accordance with sub-paragraph (d); and
- (h) reporting annually to the directors of the licensee - in respect of each Regulatory Year - as to their activities during the period covered by the report, including the fulfilment of the other duties and tasks assigned to them by the licensee.

Part C: Compliance Report

9.15.10 As soon as is reasonably practicable following each annual report of the Compliance Officer, the licensee must produce a Compliance Report:

- (a) as to its compliance during the Regulatory Year with the Relevant Duties; and
- (b) as to its implementation of the practices, procedures and systems adopted in accordance with the Compliance Statement.

9.15.11 The Compliance Report produced in accordance with paragraph 9.15.10 must:

- (a) detail the activities of the Compliance Officer during the Regulatory Year;
- (b) refer to such other matters as may be appropriate in relation to the implementation of the practices, procedures and systems adopted in accordance with the Compliance Statement; and
- (c) set out the details of any investigations conducted by the Compliance Officer, including:
 - (d) the number, type and source of the complaints or representations on which such investigations were based;
 - (e) the outcome of such investigations; and
 - (f) any remedial action taken by the licensee following such investigations.

9.15.12 The licensee must submit to the Authority a copy of the Compliance Report and must provide a copy of the Compliance Report to any person on request.

Special Condition 9.16 Independence of and appointment of managing director of the Transmission Business

Introduction

9.16.1 The purpose of this condition is to set out requirements on the licensee to establish and maintain operational and managerial independence of the

Transmission Business and any External Transmission Activities, or of any Affiliate or Related Undertaking of the licensee.

- 9.16.2 This condition also requires the licensee to appoint a Managing Director Of Transmission to be responsible for the conduct of the Transmission Business and any External Transmission Activities.

Part A: Requirements of the Managing Director Of Transmission

- 9.16.3 The licensee must at all times ensure that the Transmission Business and any External Transmission Activities are conducted with managerial and operational independence from any other business operated by the licensee, and of its Affiliates and Related Undertakings.
- 9.16.4 The licensee must appoint a Managing Director Of Transmission.
- 9.16.5 The Managing Director Of Transmission may be a director:
- (a) of the Transmission Licensee; and
 - (b) in the circumstances set out in paragraph 9.16.17 also of:
 - (c) an Affiliate or Related Undertaking which holds a Distribution Licence, or
 - (d) a holding company only engaged in ownership or management of Distribution Licence or Transmission Businesses or both.
- 9.16.6 The licensee must ensure that the Managing Director Of Transmission is not engaged by the licensee in any other capacity other than as Managing Director of Transmission.
- 9.16.7 The licensee must arrange for the Managing Director Of Transmission to be provided with such resources as are necessary to ensure the efficient and effective management and operation of the Transmission Business in accordance with the licensee's duty under section 9(2)(a) of the Act and this licence.
- 9.16.8 The Managing Director Of Transmission must be given sole discretion (subject to compliance with relevant UK employment legislation) to oversee and manage their personnel.
- 9.16.9 The licensee must direct the Managing Director Of Transmission:
- (a) to inform the directors of the licensee, in writing, if, at any time, the Managing Director Of Transmission is of the opinion that the provision of resources under paragraph 9.16.7 is not sufficient to enable the licensee to comply with its duties under section 9(2)(a) of the Act and this licence; and
 - (b) as soon as is reasonably practicable after the end of 2021 and of each Regulatory Year, to provide the directors of the licensee with:
 - (c) a report on the provision of the resources necessary in respect of that year; and

- (d) a statement as to the resources required by the Managing Director Of Transmission to ensure that the licensee complies with its duties including, in particular, a description of the differences in the provision of those matters made or likely to be made in that year compared with the provision made in respect of the preceding year and the reasons for those differences.
- 9.16.10 On receipt of any information or report under paragraph 9.16.9, the licensee must, subject to compliance with the listing rules (within the meaning of Part IV of the Financial Services Act 1986 (c.60)) of the Stock Exchange:
- (a) give the information or report to the Authority as soon as is reasonably practicable; and
 - (b) publish any report, in such form and manner as the Authority may direct, as soon as is reasonably practicable.
- 9.16.11 Except where the Authority otherwise directs, the licensee may give instructions to the Managing Director Of Transmission as to the discharge of their responsibilities under paragraph 9.16.3 only:
- (a) where such instructions are required:
 - (b) in the bona fide and reasonable opinion of the licensee to ensure compliance with the statutory, licence and contractual obligations of the licensee; or
 - (c) in the bona fide opinion of the directors, to ensure compliance with their duties; or
 - (d) to ensure compliance with paragraph 9.16.9.
- 9.16.12 The licensee must give instructions under sub-paragraph 9.16.11(a) in writing, specifying the statutory, licence or contractual obligations of the licensee or duty of the directors of the licensee which require the licensee to give instructions, and must send a copy of the instructions to the Authority.
- 9.16.13 Except as the Authority otherwise directs, the licensee must, subject to paragraph 9.16.14, ensure that:
- (a) no business of the licensee (or of any Affiliate or Related Undertaking of the licensee), other than the Transmission Business or any External Transmission Activities, may use or have access to:
 - i. premises or parts of premises occupied by persons engaged in, or in respect of, the management or operation of the Transmission Business or any External Transmission Activities;
 - ii. systems for the recording, processing or storage of data to which persons engaged in, or in respect of, the management or operation of the Transmission Business or any External Transmission Activities also have access;

- iii. equipment, facilities or property employed for the management or operation of the Transmission Business or any External Transmission Activities; or
- iv. the services of persons who are (whether or not as their principal occupation) engaged in, or in respect of, the management or operation of the Transmission Business or any External Transmission Activities; and
- v. it can and does, insofar as is legally possible, prevent any person who has ceased to be engaged in, or in respect of, the management or operation of the Transmission Business from being engaged in, or in respect of, the activities of any other business of the licensee (or of any Affiliate or Related Undertaking of the licensee) until the expiry of an Appropriate Time from the date on which the person ceased to be engaged by the Transmission Business.

9.16.14 The Authority may, upon the written request of the licensee, by direction relieve the licensee of some or all of its obligations under Special Condition 9.14 (Restriction on the use of certain information) and under paragraph 9.16.3, 9.16.4 and 9.16.13, where:

- (a) it is not reasonably practicable for the licensee to comply with any aspect of those obligations;
- (b) in the case of paragraphs 2 to 4 of Special Condition 9.14, a failure to comply with any aspect of those obligations would be of a trivial nature; or
- (c) in the case of paragraph 9.16.3 and 9.16.13, any arrangements for the use of or access to premises, systems, equipment, facilities, property or personnel by both the Transmission Business and any other business of the licensee (or of any Affiliate or Related Undertaking of the licensee):
- (d) do not involve a cross-subsidy being either given to the Transmission Business by such other business or received from the Transmission Business by such other business;
- (e) obtain for the Transmission Business, in the most efficient and economical manner possible, the use of the relevant premises, systems, equipment, facilities, property or personnel; and
- (f) do not restrict, distort or prevent competition in the generation or supply of electricity; but
- (g) provided that the licensee shall not thereby be relieved of any obligation imposed on it by EU Directive 2009/72/EC as modified by the Act.

9.16.15 Where, subsequent to the issue of a direction pursuant to paragraph 9.16.14, the criteria set out at 9.16.14(a), (b) or (c) cease to be satisfied, the Authority may withdraw the direction or modify its terms.

9.16.16 For the purposes of paragraphs 9.16.14 and 9.16.15 of this condition the Authority shall, following consultation with the licensee, determine any

question as to whether the criteria set out at sub-paragraphs 9.16.14 (a), (b) or (c) are or continue to be satisfied.

9.16.17 If the Authority is requested to issue any direction pursuant to 9.16.14 relating to the Transmission Business being managed or operated by the licensee together with any Distribution Licence then that direction may provide:

- (a) that for the purposes of this condition and of Special Condition 9.14 the Transmission Business must be taken to include any such distribution business; and
- (b) for the Managing Director Of Transmission to take part in the management of or to be a director of any company carrying on any such distribution business.

Special Condition 9.17 Not used

Special Condition 9.18 Not used

Special Condition 9.19 The strategic innovation fund

9.19.1 [placeholder – to be consulted on separately]