

National Grid Electricity Transmission plc and other stakeholders

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Proposal to issue directions under Special Condition 3.7.6 of the electricity transmission licence held by National Grid Electricity Transmission plc (the Licensee) to add allowances for three Non-operational IT Capex projects and Special Condition 3.7.7c to direct an additional Re-opener application window in which the Licensee can apply for changes to its allowances for a single high-value project related to these three projects

Proposed direction under Special Condition 3.7.6

1. The Gas and Electricity Markets Authority ('the Authority')¹ hereby gives notice in accordance with Special Condition 3.7.12 of our proposal to issue directions under Special Condition 3.7.6 to amend Appendix 1 (Total Non-operational IT Capex Re-opener allowance) and Appendix 2 (Non-Operational IT Capex Price Control Deliverable) of the Licensee's Special Condition 3.7.
2. Special Condition 3.7 provides a re-opener mechanism by which the Licensee may seek additional funding during the RIIO-T2 price control period for activities capable of improving the efficiency or performance of its Non-operational IT Capex.
3. The proposed changes to amend the Appendices of the licence are set out in Annex 1 and Annex 2 of this direction and will come into effect immediately upon issuing the final direction.
4. The direction will implement the Authority's decision on the Licensee's application to the Authority to add additional allowances for three Non-operational IT projects into its RIIO-T2 price control framework.

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

5. Two of these projects relate to Critical National Infrastructure (CNI)², so we treated them as sensitive and confidential and shared the consultation and decision documents only with the Licensee, rather than publishing them on ofgem.gov.uk. To increase transparency, this proposed direction will be published on ofgem.gov.uk with as much information as possible retained, whilst redacting any direct references to the two CNI projects.
6. We consulted on each project and made the decision to add the following allowances into the licence:
 - a. £1.06m for its Integrated Energy Management System development project. We published a public consultation on this project on 1 September 2021 and published our decision on 8 February 2022.³
 - b. £4.173m for its [REDACTED] project. We issued a confidential consultation on this project on 15 July 2022 and issued our decision on 20 December 2022.
 - c. £119.925m for its [REDACTED] project. We issued a confidential consultation on this project on 30 September 2022 and issued our decision on 19 January 2023.

7. **Table 1** - the allowances for each project, split by financial year. A further £52.594m is split across the Price Control Deliverables shown in Annex 2.

	2021/22	2022/23	2023/24	2024/25	2025/26	All-years contingency	Total
Original Re-opener allowance	2.009	1.634	0.534	0.534	0.534	0.000	5.245
IEMS Development	1.060	0.000	0.000	0.000	0.000	0.000	1.060
[REDACTED] Project	0.392	2.021	0.548	0.586	0.627	0.000	4.173
[REDACTED] Project (non-variant allowances)	0.000	9.195	25.132	13.815	11.314	7.875	67.331
Total	3.461	12.850	26.215	14.935	12.475	7.875	77.809

Proposed direction under Special Condition 3.7.7c

8. Additionally, we are proposing to issue a direction under Special Condition 3.7.7c to direct an additional period in which the Licensee can apply to amend its allowances for specific projects.
9. Special Condition 3.7 of the NGET licence establishes a Re-opener triggered by either the Licensee or the Authority for Non-operational IT Capex. The Licensee may only apply to the Authority for a direction adjusting the value of the Non-operational

² [Critical National Infrastructure | NPSA](#)

³ [National Grid Electricity Transmission \(NGET\) Non-operational IT Capex Re-opener Decision \(IEMS/TNCC/SCADA\) | Ofgem](#)

IT Capex Re-opener (NOITt) term during the periods set out in paragraphs 3.7.7(a) and 3.7.7(b) and “during such other periods as the Authority may direct” under paragraph 3.7.7(c).

10. The Licensee has a project it considers to be of critical importance and high value, a potential new Electricity Transmission Control Centre. The Licensee has informed us that to meet its wider project timelines, including for the [REDACTED] and [REDACTED] projects we have provided allowances for in this direction, it will need to begin major procurement activity in October 2023. To minimise risk exposure and maximise consumer value the Licensee has requested that we provide an initial assessment ahead of this date. Having considered this request, the Authority considers that it is in the best interest of consumers to propose a new additional Re-opener application window for this project.
11. Based on the above and pursuant to Special Condition 3.7.7(c), the Authority proposes to direct an additional Re-opener application window between 26 June 2023 and 30 June 2023 to enable the Licensee to apply to the Authority for a direction adjusting the value of the NOITt term in respect of the costs for the Electricity Transmission Control Centre.

Further information

12. Any representations with respect to the proposed directions must be made on or before 19 June 2023. These should be sent to Joe Draisey, Office of Gas and Electricity Markets, 10 South Colonnade, Canary Wharf, London, E14 4PU or by email to Joe.Draisey@ofgem.gov.uk.
13. We will publish the non-confidential responses we receive on our website. If you want your response – in whole or in part – to be considered confidential, please tell us in your response and explain why. Please clearly mark the parts of your response that you consider to be confidential, and if possible, put the confidential material in separate appendices to your response.

Yours sincerely,

Jourdan Edwards
Interim Deputy Director, Onshore Networks

For and on behalf of the Authority

Annex 1

The proposed direction will amend Appendix 1 of Special Condition 3.7 in the Licence by replacing the existing table (Table 2) with a new table (Table 3). The formatting has been improved to reduce ambiguity and align with tables used elsewhere in the licence.

Table 2 - the existing table within Appendix 1 of Special Condition 3.7, which will be replaced:

Total Non-operational IT Capex Re-opener allowance (£m)

	2022	2023	2024	2025	2026	Total
Re-opener Allowance	2.009	1.634	0.534	0.534	0.534	5.245

Table 3 - the new table that will replace the table in Appendix 1 of Special Condition 3.7 in the licence:

Total Non-operational IT Capex Re-opener allowance (£m)

	<u>Regulatory Year</u>						
	<u>2021/22</u>	<u>2022/23</u>	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>	<u>Contingency</u>	<u>All years</u>
<u>Re-opener Allowance</u>	<u>3.461</u>	<u>12.850</u>	<u>26.215</u>	<u>14.935</u>	<u>12.475</u>	<u>7.875</u>	<u>77.809</u>

Annex 2

The proposed direction will amend Appendix 2 of Special Condition 3.7 in the Licence by adding additional Price Control Deliverables (PCDs) for the [REDACTED] project. The [REDACTED] project relates to CNI, so the outputs will be redacted in the licence. In line with this, the following text will be added to Appendix 2 of Special Condition 3.7 in the Licence:

Title of document containing the additional Non-Operational IT Capex Re-opener PCD Table

Title

NGET Redacted Information Document

The following table will be added in to the 'NGET Redacted Information Document', which contains similar PCD tables for other projects related to CNI.

Non-Operational IT Capex Re-opener Price Control Deliverable

Scheme Name	Output	Delivery Date	Allowance (£m 18/19)					All years
			22/23	23/24	24/25	25/26	26/27	
[REDACTED]	[REDACTED]	before 31-Jan-27					£0.259611	£0.259611