

ET SECTOR	
REFERENCE NUMBER:	CATEGORY: Addition
LICENCE CONDITION NUMBER: <i>(if relevant):</i>	SpC 3.21
TITLE:	Medium sized investment projects Re-opener and Price Control Deliverable
RELEVANT LICENCE CONSULTATION QUESTIONS <i>(if any):</i>	N/A
RELEVANT ISSUES LOG:	MSIP_LC_issues_log
POLICY ISSUES	
<ul style="list-style-type: none"> • Threshold (SpC 3.21.4) • Categories (SpC 3.21.4) • Boundary reinforcement (SpC 3.21.4(c)) • Climate change (SpC 3.21.4(d)) • ESO requirements (SpC 3.21.4(f)) • Windows (SpC 3.21.5) • Application (SpC 3.21.6) 	<ul style="list-style-type: none"> • The threshold for generation and demand is too high and asymmetrical – in our DD response we recommend that the £m aspect is removed and the level is set at where the UCA funds <75% or >125% of costs [ref. NGET response to DD ETQ13A] • Two categories for ‘externally driven’ are missing: (i) Protection & Control investment upon outcome of studies funded in baseline and (ii) LV rebuilds at GSPs to accommodate embedded generation upon outcome of whole system assessment [ref. NGET response to DD ETQ13A] • Boundary Reinforcement, may need to be removed, subject to ongoing policy discussions. • The flooding category should be expanded to recover all investments relating to ‘extreme weather events’ so that other climate change adaptation actions identified through the ENA work can come forward. • Discussions on the details for the ESO requirements ‘externally driven’ category are ongoing and will need to be reflected in the Licence once agreed. The threshold for this category should be <u>zero</u> to allow for low cost, high consumer value investments to be delivered. [ref. DD ET Annex, p.78, para 4.57, bullet 3] • The re-opener window should be more frequent so that networks have the confidence to deliver consumer benefits of investment in a timely manner – we request an annual window as standard [ref. NGET response to DD ETQ13A] • Application requirements may vary – e.g. where the ESO has already confirmed technical need and consumer benefit.

<ul style="list-style-type: none"> • Application; threshold (SpC 3.21.7) • Direction (SpC 3.21.6) 	<ul style="list-style-type: none"> • Materiality thresholds may vary – e.g. for ESO requirements, boundary projects and generation and demand connections. • Suggest any Opex Uplift request is also included in the application requirements set out in SpC 3.21.6.
DRAFTING ISSUES	
<ul style="list-style-type: none"> • SpC 3.21.2 • Part A heading • SpC 3.21.4 • SpC 3.21.4(a) and (b) • SpC 3.21.4(b) • SpC 3.21.4(d) • SpC 3.21.4(f) • SpC 3.21.4(h)(ii) • SpC 3.21.4(k) • SpC 3.21.5 • SpC 3.21.6(a) • SpC 3.21.6(d) • SpC 3.21.7 • Part D 	<ul style="list-style-type: none"> • In SpC 3.21.2, we suggest ending the sentence at “<i>Medium Sized Investment Project Costs</i>”, since the additional wording could be interpreted inconsistently with the detail and the reference to a specific materiality threshold. • It is not consistent with the licence generally to use questions as headings. We suggest changing to “<i>Costs within scope of this Re-opener</i>”. • In SpC 3.21.4, we suggest replacing “...for costs...” with “...in relation to projects...”. It is incorrect to refer to costs only, when the changes to Appendix 1 will cover other details. • Notwithstanding our threshold policy point above, in both sub-paragraphs SpC 3.21.4(a) and (b), we suggest “...double the <u>amount</u> that could be <u>allowed for that project under</u>...”. If this is not the intention, we request that this is discussed with us further. The current drafting is not clear. • In SpC 3.21.4(b), the reference here should be to SpC 3.19. • In SpC 3.21.4(d), we suggest replace “...that is required following...” with “...the purpose of which is to follow...”. The current wording could be interpreted as only relating to legal requirements. For clarity, we also suggest that “<i>direction</i>” should be replaced by “<i>request</i>”. • In SpC 3.21.4(f), we suggest removing “<i>formally</i>” or making more clear what is required for a decision to be formal. • In SpC 3.21.4(h)(ii), we suggest replacing “<i>a requirement</i>” with “<i>a need</i>”. ...”. The current wording could be interpreted as only relating to legal requirements. • In SpC 3.21.4(k), we suggest replacing “<i>required</i>” with “<i>requested</i>”, since the current wording could be interpreted as only relating to legal requirements. • In SpC 3.21.5, we suggest replacing “<i>an adjustment</i>” with “<i>a direction</i>”. • In SpC 3.21.6(a), we suggest replacing “<i>and, where relevant, the consumer benefit...</i>” with “...and <u>any</u> consumer benefit...”. • In SpC 3.21.6(d), we suggest “<i>that the licensee <u>has delivered or proposes to deliver</u>...</i>” to account for instances where the output has already been delivered. • The reference in SpC 3.21.7 should be to SpC 3.21.6. We note that the words “<i>for the licensee</i>” are redundant. • It is not consistent with the licence generally to use questions as headings. We suggest changing to “<i>Process for making directions under this condition</i>”.

<ul style="list-style-type: none"> • SpC 3.21.9 • Appendix 1 • Definitions 	<ul style="list-style-type: none"> • SpC 3.21.9 is inconsistent with SpC 3.21.4 and we suggest that they should be made consistent. In other words, the direction will set out the amendments to outputs, delivery dates and allowances (including any relevant Opex Uplift) in Appendix 1. Whether MSIP_t should be referred to will depend upon the formula (see below). • Appendix 1 is currently missing from the draft and so we have been unable to comment on how this will interact with the drafting. • In the definition of Medium Sized Investment Project, there is a typo ("<i>kindlisted</i>") and the references need to be updated.
FINANCE ISSUES	
<ul style="list-style-type: none"> • 3.21.9 • MSIP_t formula • 3.21.4 	<ul style="list-style-type: none"> • Opex uplift is a defined term but in 3.18 Generation and 3.19 Demand volume driver algebra for opex uplifts is stated. Propose inclusion of opex algebra in this term also. • There is no specified formula for the calculation of MSIP_t. • The licence states that any re-opener will result in an update to the appendix that feeds into the formula. We require further explanation from Ofgem as to how this mechanism will work in practice without causing circularity of calculation.
SUPPORTING INFORMATION	See also Reopener Guidance and Application Requirements Document
OFGEM ENGAGEMENT:	Ongoing engagement on Boundary Reinforcement projects and 'externally driven' categories