

CROSS SECTOR	
REFERENCE NUMBER:	CATEGORY: Addition
LICENCE CONDITION NUMBER: <i>(if relevant):</i>	SpC 3.5
TITLE:	Non-operational Capex IT Re-opener
RELEVANT LICENCE CONSULTATION QUESTIONS <i>(if any):</i>	Core Document Q17 – Do you agree with our proposal for the Non-operational IT and Telecoms capex re-opener ?
RELEVANT ISSUES LOG:	SpC 3.5 IT Non Op Capex Re-opener
POLICY ISSUES	
<ul style="list-style-type: none"> • 3.5.2 • 3.5.4 • 3.5.5 • 3.5.5 • 3.5.6 (e) 	<ul style="list-style-type: none"> • 3.5.2 - It is unclear what (a) refers to. Through the business plan submission and price control review process a clear IT plan has been submitted and assessed by Ofgem. It is not clear therefor what additional obligation this condition places on networks. Our view is (a) is unnecessary and causes confusion and uncertainty. • 3.5.4 - should also cover requirements for Non-op capex IT&T to meet future digitalisation requirements, identified in Digitalisation Strategy and Action Plan (DSAP) • 3.5.5c - there should be an opportunity for the Licensee to request a re-opener other than at the start of T2 and mid-period, where this is in the best interests of the consumer, eg to incorporate information from an RFP • 3.5.5 - the assessment and approval process should not be open-ended. It should include a requirement for approval within 3 months of submission or an agreed date that allows inclusion of the adjustment to NOITt in the next AIP following the re-opener window. • 3.5.6 (e) – The information provided in support of re-opener applications should be both appropriate and proportionate. We suggest that this refer to the IT&T guidance document. This process can be aided by use of a template detailing investment need case, project definition, cost assurance and resource requirements. NGET and NGGT have used this approach following DD and are supportive of Ofgem continuing use of this approach for future re-openers. If specific items are retained in the licence they should be well defined.
DRAFTING ISSUES	
<ul style="list-style-type: none"> • 3.5.2 • 3.5.3 • 3.5.6 	<ul style="list-style-type: none"> • 3.5.2 should clarify what is meant by the start of the price control period. Is this the same window as referred to in 3.5.5(a)? See comment at 3.5.6; it is assumed that the submission of such a plan is distinct from the submission of any reopener application • 3.5.3 should begin “This condition also sets out the process...” for consistency with similar conditions

<ul style="list-style-type: none"> • 3.5.8 • Headings • 3.5.10 	<ul style="list-style-type: none"> • 3.5.6 seems to deal both with the submission of the Non - operational capex IT plan and a reopener application. The drafting of 3.5.2 implies that the licensee <u>must</u> submit such a plan but <u>may</u> submit a reopener when the circumstances in 3.5.4 are satisfied. Please can Ofgem confirm if this is the case. If it is the case (and the submission of a plan does not form part of the reopener application) then we suggest 3.5.6 reads “An application under paragraph 3.5.4 must be made in writing to the Authority and:” • In the GT licence, 3.5.8 should cross refer to 3.5.4 • Headings should be framed as statements not questions. Part A heading should read “scope of this reopener” and Part E heading should read “Authority process in making a direction” • Is the value of NOIT zero in the absence of a direction from the Authority. Should this be clarified?
FINANCE ISSUES	
<ul style="list-style-type: none"> • NOITt • Formula • PCFM 	<ul style="list-style-type: none"> • There is no formula present in the PCD to calculate the variable allowed revenue term NOITt, which then feeds into the PCFM. • It is unclear how the PCFM interfaces with those Totex Allowance terms within the licence which include both PCD and re-opener. • We require further explanation from Ofgem as to how this mechanism will work in practice without causing circularity of calculation.
SUPPORTING INFORMATION	
OFGEM ENGAGEMENT:	