

ET SECTOR	
REFERENCE NUMBER:	CATEGORY: Amendment
LICENCE CONDITION NUMBER: <i>(if relevant):</i>	SpC 3.13
TITLE:	Visual Impact Mitigation Re-opener and Price Control Deliverable
RELEVANT LICENCE CONSULTATION QUESTIONS <i>(if any):</i>	
RELEVANT ISSUES LOG:	
POLICY ISSUES	
<ul style="list-style-type: none"> 3.13.4 & 3.13.8 3.13.12 3.13.18 Appendix 4 Reopener Guidance 	<ul style="list-style-type: none"> 3.13.4 it is not clear why the licensee needs to update the policy before it can make an application for T2 funding? This would create a pause in the NTMP process and stop the flow of smaller proposals given that the licensee can't start drafting revised policy until after FDs and when it has a final Licence condition. Also, it doesn't specify how quickly the Authority will approve a revised policy (3.13.8). There should be a clause consistent with the T1 Licence to specify time limits for Ofgem approval: the T1 timeframe was two months for the original policy (6G.7) and then one month for subsequent revisions (6G.9). 3.13.12 refers to PCD Reporting Requirements & Methodology Document but not Reopener Guidance, and the latter is where there is a 9-month timescale set for Ofgem's decisions. Need to either reference Reopener Guidance or add timeline for Ofgem approvals. This is important because it potentially affects the Licensee's ability to deliver the project to time and cost; for example, slow approval could mean that required system outages were missed. 3.13.18 should refer to Appendix 3 Appendix 4 title is erroneous. Reopener Guidance is putting a new burden on Licensees for VIP. We didn't previously have to publish our submission on our website, and arguably that would not be helpful for stakeholders because they could spend time reviewing a submission that is subsequently rejected by Ofgem. The more appropriate approach is that which currently exists in the T1 period where Ofgem ask for a non-confidential copy which they publish alongside their consultation later in the process, once there is more certainty that it will progress. The drafting does not allow for Cost and Output Adjusting Events (COAE), which were introduced for Strategic Wider Works in T1, to recover costs associated with certain high impact, low probability risks. This could only be enacted after reaching a certain cost threshold. This should be introduced for VIP projects to prevent consumers paying for risks which are difficult to quantify and are unlikely to occur. We understand that no T1 SWW project was

<ul style="list-style-type: none"> 3.13.6 	<p>subject to a materiality threshold higher than 10% (HSB 10%, WHVDC 10%, Caithness-Moray 5%). Our view is that a much lower threshold should be applied by default because these risks are beyond the control of TOs. COAE should also allow adjustment to outputs other than costs such as amendment to delivery dates. It is possible that such changes would be cost neutral or less than the relevant threshold. Without such provision in the Special Condition, a full statutory licence change would be required to allow this, which would be disproportionate given such changes would only be made where Ofgem agrees there is consumer benefit.</p> <ul style="list-style-type: none"> Ofgem has failed to provide adequate justification as to why the higher standard of “best endeavours” should be applied to the licensee’s compliance with the Mitigating Pre-existing Infrastructure Policy.
DRAFTING ISSUES	
<ul style="list-style-type: none"> 3.13.3 Headings Definitions Definitions Definitions Definitions Definitions 3.13.4 and 3.13.5 3.13.8 3.13.12 3.13.15 	<ul style="list-style-type: none"> 3.13.3 talks about PCD (singular) when they will be multiple Headings should be framed as statements not questions. Part D heading should read “Authority process for making a direction”. No definition of “RIIO-T1 Visual Impact Mitigation”, “RIIO-T2” or “RIIO-ET2” has been included in the ET section of the Definitions Schedule. The definition of “Visual Impact Mitigation Price Control Deliverables” incorrectly references Table 1 in Part C of SpC 6G, this should reference Appendix 1 of SpC 3.13. The definition of “VIME Value” refers to SpC 6G, it should refer to SpC 3.13. The definition of “NTMP Value” refers to SpC 6G, it should refer to SpC 3.13. There is no definition of “Allowed Expenditure” in the ET section of the Definitions Schedule. The terms RIIO-T2 and RIIO-ET2 are used interchangeably through the drafting, as per comment above, neither is defined, but in any case consistent terminology should be used. We note that there is no timescale in paragraph 3.13.8 within which Ofgem will direct its approval, or otherwise, of the revised Mitigating Pre-existing Infrastructure Policy, failure to approve revisions to this document in a timely manner will frustrate the obligation under paragraph 3.13.5(g) to ensure the policy remains consistent with industry best practice. There is no reference in paragraph 3.13.12 to Ofgem amending allowances in Appendix 1 by direction, although paragraph 3.13.13 confirms that this will be by direction. We also note that there is no reference within 3.13 to the value of the clawback not exceeding the associated allowance for the output. Whilst we note some wording to this effect has been included in the draft PCD Reporting Requirements and Methodology Document we consider that

	<p>the cap on the maximum clawback for any individual output is a material feature of the PCD design and that in the interests of transparency it should be made clear on the face of the licence.</p> <ul style="list-style-type: none"> • The defined term “Price Control Period” should be used in paragraph 3.13.15.
FINANCE ISSUES	
<ul style="list-style-type: none"> • PCFM • T1 approved Visual Impact Mitigation projects • VIMeT • 3.13.14 • VIMeT and PCFM • NTMPt 	<ul style="list-style-type: none"> • Term VIMeT is not referenced in PCFM and PCD 3.13 is referenced as ‘Mitigating the impact of Pre-existing Transmission Infrastructure on the Visual Amenity of Designated Areas’ • No reference is made to how allowances directed in the RIIO-1 period will be included in Appendix 1. • No reference to the formula for calculating VIMeT. • The licence states that any re-opener will result in an update to the appendix that feeds into the formula for calculating PCD element. We require further explanation from Ofgem as to how this mechanism will work in practice without causing circularity of calculation. • Without sight of the PCFM Guidance document, it is also unclear how PCDs work with regards to baseline allowances i.e. in the blue box inputs is it the incremental change we are required to enter or the full allowance amount. This additional information is required before we assess whether the inclusion of the separate elements as individual Variable Values and their treatment through the TIM mechanism within the PCFM will be compatible with the allowance calculations. • No reference to how this feeds into PCFM
SUPPORTING INFORMATION	
OFGEM ENGAGEMENT:	