

CROSS SECTOR	
<b>REFERENCE NUMBER:</b>	<b>CATEGORY:</b> LICENCE CONDITION - Amendment
<b>LICENCE CONDITION NUMBER:</b> (if relevant):	ET SpC 7.11 GT SpC 7.7
<b>TITLE:</b>	RIIO-1 Network Innovation Competition
<b>RELEVANT LICENCE CONSULTATION QUESTIONS</b> (if any):	
<b>RELEVANT ISSUES LOG:</b>	
<b>POLICY ISSUES</b>	
<b>DRAFTING ISSUES</b>	
<ul style="list-style-type: none"> <li>ET SpC7.11</li> <li>Definition (ET)</li> <li>Definitions (ET)</li> <li>GT SpC7.7.1</li> <li>GT SpC7.7.3</li> </ul>	<p><b><u>General</u></b></p> <ul style="list-style-type: none"> <li>“Network Innovation Competition” is not defined in the Definitions Schedule.</li> <li>The part A title should refer to “The NIC Funding Return Mechanism” rather than “The NIC Funding Mechanism”.</li> </ul> <p><b><u>The following comments are in relation to NGET:-</u></b></p> <ul style="list-style-type: none"> <li>There is no requirement for the inclusion of a Close out term for the RIIO-1 Network Innovation Competition (NIC term) within the ET Licence, as following legal separation NIC no longer sits with ET, but instead sits with ESO.</li> <li>“Returned Project Revenues” in the ET section of the Definitions Schedule should refer to the System Operator not the Transmission System Operator.</li> <li>“Funding Return Mechanism” and “Returned Royalty Income” are not defined in the ET section of the Definitions Schedule.</li> </ul> <p><b><u>The following comments are in relation to NGG:-</u></b></p> <ul style="list-style-type: none"> <li>Replace “deciding” in line 1 with “calculating”. Line 3 should refer to “the Transportation Owner legacy adjustment term”</li> <li>Should read “Parts A and B of this condition are subject...”</li> </ul>

<ul style="list-style-type: none"> <li>GT 7.7.6</li> </ul>	<ul style="list-style-type: none"> <li>Should cross refer to 7.7.5</li> </ul>
<b>FINANCE ISSUES</b>	
	<ul style="list-style-type: none"> <li>The PCFM does not include specific inputs for all RIIO-1 close out (legacy) terms. For example, there are separate input boxes for legacy MOD terms, but not for other legacy items from the LAR licence condition including NICFt. There is a “RIIO-2 legacy price control adjustments to allowed revenue” input but it is not clear what should be included within the Variable Value. The individual terms which make up LAR, including NICFt, should all have separate variable value inputs within the PCFM.</li> </ul>
<b>SUPPORTING INFORMATION</b>	
<b>OFGEM ENGAGEMENT:</b>	