

CROSS SECTOR	
<b>REFERENCE NUMBER:</b>	<b>CATEGORY:</b> Addition
<b>LICENCE CONDITION NUMBER:</b> (if relevant):	SpC 3.6
<b>TITLE:</b>	Net Zero Re-opener
<b>RELEVANT LICENCE CONSULTATION QUESTIONS</b> (if any):	N/A
<b>RELEVANT ISSUES LOG:</b>	(not received)
<b>POLICY ISSUES</b>	
<ul style="list-style-type: none"> <li>Issues log</li> <li>Trigger and scope</li> </ul>	<ul style="list-style-type: none"> <li>No issues log received</li> <li>Licensees should have ability to trigger the reopener.</li> <li>Reopener needs to be more specific to avoid becoming a catch-all reopener for any aspect of the price control (which we understand is not the policy intent); the scope should be limited to cater for new outputs, allowances or reporting requirements relating to the delivery of Net Zero, that are not already catered for in other parts of the RIIO framework / Licence.</li> <li>Unlike other reopeners the NZ reopener may lead to new obligations and outputs rather than adjustment to existing ones. Part A should therefore recognise that the Authority may therefore need to bring forward licence modifications in order to implement the adjustment.</li> <li>"Not otherwise provided" within paragraph 3.6.4 (c) is not clear. Does this mean where no allowance has been provided?</li> <li>In our response to the Draft Determination, we noted net zero re-opener as an area where it would be appropriate for decisions to be made through statutory licence modification.</li> </ul>
<b>DRAFTING ISSUES</b>	
<ul style="list-style-type: none"> <li>Headings</li> <li>Defined Terms</li> <li>3.6.4(c) and (d)</li> </ul>	<ul style="list-style-type: none"> <li>Headings should not be framed as questions. We suggest Part A reads "Scope of this Re-opener" and Part D reads " Authority process for making a direction"</li> <li>"Net Zero Development" is not defined in the GT definitions Annex</li> <li>We note that the definition of "Licensed Activity" has yet to be defined. We suggest that this is defined as "having the same meaning as transportation business in SSC A3"</li> </ul>

<ul style="list-style-type: none"> <li>3.6.6(b)</li> </ul>	<ul style="list-style-type: none"> <li>To provide clarity on the scope of the reopener (as referred to above) we suggest sub-paragraphs 3.6.4(c) and (d) are amended to read: “(c ) the effect of the Net Zero Development on the cost of Licensed Activity is not otherwise provided for by allowances in this licence; (d) the effect of the Net Zero Development is to introduce new obligations on the licensee that are not otherwise provided for in the licence and that are not within the scope of any other Re-opener “</li> <li>Insert “set out” after outputs.</li> </ul>
<b>FINANCE ISSUES</b>	
<ul style="list-style-type: none"> <li>Appendix 1</li> </ul>	<ul style="list-style-type: none"> <li>The materiality threshold is proposed as 1% of annual average base revenue. We refer Ofgem to NGET’s and NGGT’s response to RIIO-2 Draft Determinations – Finance Annex FQ37 which sets out our views on the definition of base revenue for reopener materiality thresholds.</li> <li>The Revenue tab within the PCFM includes a Base Revenue value which changes year on year as output, totex and finance impacts change. The reference to base revenue materiality threshold used for the Net Zero reopener should be clearly defined and distinguished from the reference to Base Revenue in the PCFM.</li> </ul>
<b>SUPPORTING INFORMATION</b>	
<b>OFGEM ENGAGEMENT:</b>	