

CROSS SECTOR	
<b>REFERENCE NUMBER:</b>	<b>CATEGORY:</b> Addition
<b>LICENCE CONDITION NUMBER:</b> <i>(if relevant):</i>	SpC 5.2
<b>TITLE:</b>	The RIIO-2 Network Innovation Allowance
<b>RELEVANT LICENCE CONSULTATION QUESTIONS</b> <i>(if any):</i>	
<b>RELEVANT ISSUES LOG:</b>	
<b>POLICY ISSUES</b>	
General comments in respect of both NGGT and NGET	<ul style="list-style-type: none"> <li>The licence does not state the % split of internal and external expenditure. It is understood from conversations that this will be contained within the NIA governance document and the levels will be the same as T1, however this is not available so we are unable to comment. In T1 Ofgem required the confirmation of Internal expenditure via the Revenue RRP and C&amp;O RRP, given it is a calculation and NG must comply, the % split should be detailed in the licence for transparency and clarity without the need of a separate document.</li> <li>There is precedent in SpC5.3 Eligible CNIA where internal expenditure percentage is still included in the licence for carry-over RIIO-1 NIA therefore this should also be included in SpC5.2.</li> <li>The RIIO-2 NIA Governance Document needs to be seen by licensees as soon as possible in order that the obligations of this condition can be fully assessed and understood. The consultation document indicates that the document is expected to be published in December 2020. We would welcome sight of the RIIO-2 NIA Governance Document as soon as possible and in any event no later than the date of publication of the statutory consultation on the licence modifications giving effect to the Final Determinations.</li> </ul>
<b>DRAFTING ISSUES</b>	
<ul style="list-style-type: none"> <li>5.2.5</li> <li>5.2.8</li> </ul>	<ul style="list-style-type: none"> <li>As we have already noted, the RIIO-2 NIA Governance Document has not been provided as part of this consultation and therefore we are unable to consider whether we are able to comply with the obligations it contains. We would ask that a copy of the document is shared with licensees as soon as possible and no later than the date that the statutory consultation on the licence modifications giving effect to the Final Determinations is published.</li> <li>In respect of the ET Licence: SpC5.2.8 incorrectly refers to the sharing of learning with other Gas Transporter Licensees, this should refer to other Transmission Licensees and holders of an electricity distribution licence.</li> </ul>
<b>FINANCE ISSUES</b>	

	<ul style="list-style-type: none"> <li>The 'RIIO-2 Network Innovation Allowance' (row 63) on the NGET tab and (row 65) on the NGGT TO of the PCFM does not clearly align with the INNVt term as per licence condition SpC 5.1. The use of RIIO-2 to describe the input is also ambiguous as it is unclear whether this refers to the innovation allowance (INNVt) in full or only the RIIO-2 element of the total allowance (NIAt).</li> </ul> <p><b><u>The following comment is in relation to NGG:</u></b></p> <ul style="list-style-type: none"> <li>Special Condition 2.6, Part D: Formula for calculating the SO Calculated Revenue term (SORT) includes the term SOINNVt and references special condition 5.1. However special condition 5.1 only defines INNV, the TO part of innovation. A condition with chapter 5 needs to detail SOINNVt.</li> </ul>
<b>SUPPORTING INFORMATION</b>	
<b>OFGEM ENGAGEMENT:</b>	