

ET SECTOR	
<b>REFERENCE NUMBER:</b>	<b>CATEGORY:</b> LICENCE CONDITION - Addition
<b>LICENCE CONDITION NUMBER:</b> <i>(if relevant):</i>	<b>SpC 3.10</b>
<b>TITLE:</b>	<b>Wider Works Price Control Deliverable</b>
<b>RELEVANT LICENCE CONSULTATION QUESTIONS</b> <i>(if any):</i>	Q23. What are your views on the proposed changes to the SpCs outlined in this Electricity Transmission licence conditions chapter and the Annexes?
<b>RELEVANT ISSUES LOG:</b>	<b>No specific wider works log in sept update</b>
<b>POLICY ISSUES</b>	
<ul style="list-style-type: none"> <li>Alignment with latest business plan and DD responses</li> <li>Reference to “Fully Delivered”</li> <li>Inconsistency in definition of PCD</li> <li>Alignment with most recent NGET/Ofgem discussions</li> <li>WWRt</li> </ul>	<ul style="list-style-type: none"> <li>17 PCDs identified that will deliver outputs in T2, including schemes started in T1. These need to be cross checked against schemes added as part of NGET’s DD response.</li> <li>We are concerned that the definition of “Fully Delivered”, which is defined as an output that "has been delivered in full" is circular. Given the financial consequences that flow the determination as to whether an output has been Fully Delivered or not, it is essential that this critical term is clearly defined.</li> <li>There is inconsistency in the definition of PCDs between licensees, where some outputs are defined at a very high level and others are defined by reference to the content of Engineering Justification Papers (EJPs), this could give rise to inconsistent and unjustified treatments as between licensees, and in particular impose a higher hurdle on a licensee demonstrating that its outputs have been “Fully Delivered”. By requiring licensees to deliver the precise scheme in our EJPs, this will prevent licensees from delivering innovative or efficient solutions, or from taking necessary action to account of changing circumstances, leading to worse outcomes for our customers and stakeholders.</li> <li>Agreement reached to apply PCD to baseline schemes and fund new schemes through volume driver uncertainty mechanism. Future drafting should specify this distinction.</li> <li>Unclear as to how WWRt will be calculated, i.e. will it reach back into T1? No specific detail – Ofgem will just make a direction</li> </ul>

<ul style="list-style-type: none"> <li>3.10 Appendix 1</li> </ul>	<ul style="list-style-type: none"> <li>Inclusion of allowance on scheme by scheme basis is inappropriate as this could negatively affect NGET's ability to run effective procurement exercises. Aggregate allowance across all schemes only, individual scheme allowance can be captured and reported against in RRP. Applies to all PCDs for schemes where procurement has not yet completed.</li> <li>No reference to schemes delivering in T3 where baseline allowance is provided for T2 spend</li> <li>PCD output for wider works is MW boundary capability – discussions are ongoing as to how this will be calculated for PCDs. Licence should state the agreed process for how this output is derived. Current proposal is to fix allowance at start of period to avoid changes resulting from 2actors outside of NGET control.</li> <li>Discussion with Ofgem have reached agreement to include additional schemes recommended by the most recent NOA. These schemes are not captured in the current PCDs, we would ask that whatever detail is recorded should reflect the BPDT submitted to Ofgem in 11<sup>th</sup> September 2020 via Huddle.</li> <li>We note that there is no ability for a licensee to request changes to PCD outputs, delivery dates or allowances. We consider the licence should prescribe a process by which a licensee can apply to Ofgem for changes to these outputs, dates and allowances, such application would be supported by reasonable and appropriate evidence to justify the change that is requested.</li> </ul>
<b>DRAFTING ISSUES</b>	
<ul style="list-style-type: none"> <li>Headings</li> <li>3.10.6</li> <li>Appendix 1</li> </ul>	<ul style="list-style-type: none"> <li>Headings should be framed as statements not questions. Part B heading should read "What the licensee is funded to deliver". Part F heading should read "Authority process for making a direction".</li> <li>We note that there is no reference within 3.10 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 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.</li> <li>We note that there is considerable inconsistency in the definition of outputs in the Appendix for NGET. Where the definition of the output includes detail from the EJP there is little or no scope for a licensee to innovate or seek further efficiency in its delivery or to vary that delivery to take account of changed circumstances. It also results in a lack of consistency in the application of the concept of outputs being "Fully Delivered, with it being more difficult for NGET to demonstrate that those outputs which are described in detail, have been Fully Delivered, as compared to other outputs that are defined at a higher level.</li> </ul>
<b>FINANCE ISSUES</b>	
<ul style="list-style-type: none"> <li>PCFM</li> </ul>	<ul style="list-style-type: none"> <li>Term is described as Wider Works in PCFM.</li> <li>PCFM includes WWt (allowances –assessment of outputs). No provision for volume driver increases to outputs are made in this term or in any other term in licence or PCFM.</li> </ul>

<b>SUPPORTING INFORMATION</b>	File name: NGET LR BPDT recut Sep20 submitted via huddle on 11 <sup>th</sup> September 2020
<b>OFGEM ENGAGEMENT:</b>	