

ET SECTOR	
REFERENCE NUMBER:	CATEGORY: Amendment
LICENCE CONDITION NUMBER: (if relevant):	SpC 3.22
TITLE:	Pre-Construction funding Re-opener
RELEVANT LICENCE CONSULTATION QUESTIONS (if any):	N/A
RELEVANT ISSUES LOG:	PCF_LC_issues_log
FOR INCLUSION IN LEVEL 1 / 2 RESPONSE:	No
POLICY ISSUES	
<ul style="list-style-type: none"> <li>Definition of efficient pre-construction activities (definitions)</li> <li>Timing for allowances (SpC 3.22.5)</li> <li>Non-NOA projects (SpC 3.22.4, SpC3.22.6(d))</li> <li>Abortive projects (SpC 3.22.6)</li> <li>Direction</li> </ul>	<ul style="list-style-type: none"> <li>As outlined in our DD response and subsequent discussions, we propose that the list of efficient pre-construction activities is either (i) expanded to include acquisition of land rights, early procurement activities and detailed surveys suitable for both consents and construction or (ii) decided on a case-by-case basis at the Eligibility to Apply stage of LOTI.</li> <li>Amendments will need to be made in several areas to reflect what we understand to be an updated policy of providing allowances for Pre-Construction funding through the early stages of the LOTI process and to accommodate the proposed 'milestone based' structure of the Price Control Deliverables for PCF.</li> <li>Investments to facilitate customer connections (instigated by the ESO through an NGESO Connection Application; ref. SO-TO Code, Schedule 5 ) and asset health investments &gt;£100m should also be eligible for PCF, where relevant, in accordance with para. 4.25 of the DD ET Annex). In SpC 3.22.4(b), we suggest. <i>"the LOTI was, at the time the costs were incurred: (i) subject to a NOA Proceed Signal, for Boundary Reinforcement Projects; (ii) subject to a notification by the ESO of an application for connection for connections; and (iii) subject to a positive NARMS indication for asset health related investment"</i>. A similar change should be made to SpC 3.22.6(d) (or a cross-reference included to SpC 3.22.4(b) above.</li> <li>In SpC 3.22.6(c) – we suggest <i>"...why the Pre-Construction Works were required <u>and why any Pre-Construction Works were aborted</u>"</i> or similar to cater for efficiently incurred abortive costs.</li> <li>We note that here, as elsewhere, there is no proposed timescale for Ofgem giving a direction and we request that this issue is considered further in line with the above timing changes.</li> </ul>

<ul style="list-style-type: none"> <li>CPM projects (general)</li> </ul>	<ul style="list-style-type: none"> <li>We note that any CPM project is excluded from the definition of LOTI and so not currently covered by this condition. However, it is not clear how pre-construction costs for CPM projects would be funded, particularly given the draft CPM guidance (para 5.40) refers to CPM pre-construction works not being funded through the CPM provisions. This may no longer be an issue if the timing for allowances (SpC 3.22.5) is addressed and all projects &gt;£100m have LOTI status when PCF is applied (i.e. prior to the INC).</li> </ul>
<b>DRAFTING ISSUES</b>	
<ul style="list-style-type: none"> <li>Parts A, and D headings</li> <li>SpC 3.22.5</li> <li>SpC 3.22.6</li> </ul>	<ul style="list-style-type: none"> <li>It is not consistent with the licence generally to use questions as headings. We suggest: <ul style="list-style-type: none"> <li>Changing Part A to <i>"Costs within scope of this Re-opener"</i>.</li> <li>Changing Part D to <i>"Process for making directions under this condition"</i>.</li> </ul> </li> <li>In SpC 3.22.5, we suggest replacing "an adjustment" with "a direction".</li> <li>In SpC 3.22.6, it is implicit that the application will be in writing and need not be set out expressly.</li> </ul>
<b>FINANCE ISSUES</b>	
<ul style="list-style-type: none"> <li>3.22.8</li> <li>PCFt formula</li> </ul>	<ul style="list-style-type: none"> <li>PCFt should not be subject to any opex uplift. Cost assessment should be done in full.</li> <li>There is no specified formula for the calculation of PCFt.</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>	Ongoing to agree the approach for allowing PCF through the LOTI process