

ET SECTOR	
REFERENCE NUMBER:	CATEGORY: Amendment
LICENCE CONDITION NUMBER: (if relevant):	SpC 7.9
TITLE:	Close out of RIIO-ET1 Incentive in Respect of Sulphur Hexafluoride Gas Emissions incentive
RELEVANT LICENCE CONSULTATION QUESTIONS (if any):	
RELEVANT ISSUES LOG:	
POLICY ISSUES	
DRAFTING ISSUES	
<ul style="list-style-type: none"> SpC 7.9.4 Definitions 	<ul style="list-style-type: none"> In SpC 7.9.4, the term should be referred to as "$LSFI_t$". In the definition of RIIO-ET1 Incentive in respect of Sulphur Hexafluoride Gas Emissions, we note that the incentive name in the licence currently has "SF_6" in the title and the definition should be "<i>means the RIIO-ET1 incentive in respect of Sulphur Hexafluoride (SF_6) Gas Emissions</i>" (or the defined term should be changed to align with the current title). The definition of Regulatory Year does not currently allow for the definition to apply to years before the 2021/2022 year, whereas the condition refers to earlier years. The definition needs to be updated so that it can cover 2019/2020 and 2020/2021. We also note that "$t=1$" may be confusing.
FINANCE ISSUES	
<ul style="list-style-type: none"> SpC 7.9.3 	<ul style="list-style-type: none"> In SpC 7.9.3: <ul style="list-style-type: none"> The drafting refers back to the T1 licence for calculation of these items. Although we do not object to that approach, the values per the T1 calculations are in nominal price base (using RPI). It is not clear from the drafting how Ofgem intends to translate this to 2018/19 price base for input into the PCFM, although we note the formula within the PCFH (paragraph 2.9) to convert to 2018/19 price base. The RIIO-1 formula utilises PVF (1+WACC). The WACC to use would need to be determined and explicitly written into the licence to avoid any future ambiguity. We request further discussion with Ofgem on this.
SUPPORTING INFORMATION	
OFGEM ENGAGEMENT:	