

Price Control Operations – Small & Medium Sized Projects
10 South Colonnade
Canary Wharf
London
E14 4PU

cc: Evan Alaa, Eliska Antosova, Zara Scott

1 October 2024

Dear Ofgem,

Re: RIIO-2 Re-opener Applications 2024 Draft Determinations – ED Annex

I am writing on behalf of National Grid Electricity Distribution (NGED), in relation to Ofgem's consultation on the following document:

- RIIO-2 Re-opener Applications 2024 Draft Determinations – ED Annex (3 September 2024)

NGED welcomes the opportunity to respond to this consultation, and has also welcomed the engagement ahead of this through bilateral meetings with Ofgem, to allow us to provide more information on the programmes of work in our Storm Arwen re-opener application.

The Draft Determinations are a positive outcome for customers, providing some higher levels of resilience during storms, but there is more that can be done.

We were pleased Ofgem accepted five of the NGED work programmes which we have proposed in response to Ofgem's and E3C's Storm Arwen recommendations¹, but we are disappointed that significant proposals have been rejected. Our Storm Arwen submission focussed on a wide range of initiatives that would benefit customers in storm situations, focussing not just on high volumes of customers affected, but also those where restoration could potentially take a number of days. This was a key recommendation of the E3C and Ofgem recommendations and therefore we urge Ofgem to reconsider some of the assessments. We provide more details in Appendix A.

We disagree with the disallowance of Closely Associated Indirect (CAI) costs. These programmes to improve storm resilience need to be planned and managed, and so CAIs are necessary to deliver these. This is already recognised by Ofgem in the RIIO-ED2 price control with a CAI adjustment (Indirects Scaler) included for load related uncertainty mechanisms; and the operation of the Opex Escalator in the RIIO-ET2 price control applies to a number of capital investments including some non-load projects. We therefore think it is an inconsistent approach for these Storm Arwen investments to not receive a similar CAI allowance. CAI allowances should be provided, being adjusted in line with the scale of the programmes and projects that gain approval. We provide more details in Appendix A (question 13).

¹ Ofgem, Final report on the review into the networks' response to Storm Arwen (June 2022); BEIS, Energy Emergencies Executive Committee Storm Arwen Review, Final Report (June 2022)

We also disagree with the application of Price Control Deliverables (PCDs) for each Storm Arwen project/programme. In the Draft Determination there are 52 PCDs across all the DNO proposals for a total allowance across the industry of £106m, with the lowest value PCD being for £10k. This approach introduces a significant regulatory burden for reporting, analysis and evaluation for both DNOs and Ofgem along the lines of regulatory micro-management. The inclusion of such descriptive PCDs also removes the opportunity to introduce new innovation and more beneficial solutions to customers if new technology and/or techniques become available over the next four years of RIIO-ED2. There are a number of existing incentives under the wider RIIO-ED2 price control, including the Totex Incentive Mechanism, which would still give Ofgem the ability to drive the most efficient solutions with any potential outperformance being equally shared with customers. This would be a less burdensome process for DNOs and Ofgem, whilst still delivering value for customers. The policy approach for PCDs also needs to be consistent across the ED2 price control and uncertainty mechanisms. We note there are no PCDs applied to the allowances awarded to SSEH for the Hebrides and Orkney Re-opener, worth £46m across 3 projects, which appears inconsistent with 52 PCDs for £106m of Storm Arwen allowances.

The consultation does not make reference to reporting against PCDs. If PCDs are deemed applicable by Ofgem for this re-opener, we will need clarity on the PCD reporting requirements. The PCD associated document ('Price Control Deliverable Reporting Requirements and Methodology Document') requires a Basic PCD report by 31 July after the year of completion (paragraph 6.4); for Storm Arwen this would be a report by 31 July 2028. The associated document (paragraphs 3.1 and 6.3) also requires annual reporting of data in the RIGs; this would require RIGs changes to enable reporting at a sufficient level of detail across the range of PCDs. Please can you confirm if this is the case in Final Determination.

Appendix A to this letter provides NGED's detailed responses to the questions posed throughout the ED Annex and summarised in Appendix 2 of the Consultation.

Appendix B to this letter provides NGED's observation of errors in the ED Annex.

Appendix C to this letter provides NGED's observations on the draft notice of statutory consultation and the proposed new licence condition SpC 3.14 for implementation of the Storm Arwen Re-opener and price control deliverables.

Appendix D provides a cost breakdown for NGED's proposal 12 (enhanced telephony servers).

If you have any queries on this response, please contact Dawn Broderick (RIIO-ED2 Regulation Manager) at dbroderick@nationalgrid.co.uk.

Yours sincerely

A handwritten signature in black ink, appearing to read 'P Branston', written over a light blue circular stamp.

Paul Branston
Director of Regulation
National Grid Electricity Distribution

Appendix A – Consultation Questions

QUESTION ED.Q1 Do you agree with our assessment of the needs case for the projects under Hebrides and Orkney Re-opener submission?

No comment

QUESTION ED.Q2 Do you agree with our assessment of the preferred option for the projects under the Hebrides and Orkney Re-opener submission?

No comment

QUESTION ED.Q3 Do you agree with our assessment of the efficient costs of projects under the Hebrides and Orkney Re-opener submission?

No comment

QUESTION ED.Q4. Do you agree with Ofgem’s assessment of the cross-boundary interconnectors proposals and the proposed funding allowance?

NGED has welcomed the collaborative work carried out by the majority of DNOs on identifying cross-boundary opportunities which could benefit customers. We have identified interconnection opportunities that are beneficial to both NGED and neighbouring DNOs.

We are pleased that Ofgem has recognised the benefit to customers of interconnecting remote parts of the network, but we also recognise that this initiative is at an early stage of development.

Ofgem has elected to benchmark the costs using a median value to set allowances as described in paragraph 4.35 of the ED Annex. Ofgem’s benchmarking calculation workbook was shared with NGED on 19th September. A simple approach was taken using volumes of ‘projects’ from DNOs’ submissions, which for NGED was based on number of interconnectors. This also reveals that for DNOs where the median cost is higher than submitted costs, the lower submitted costs only are funded.

Such an approach is valid for benchmarking if the work content of each project is similar, but project costs can vary depending upon the existing network and whether reinforcement is required. There may therefore be a number of valid reasons for different levels of costs for different projects, and indeed the median costs differ across NGED DNOs for these reasons. Costs presented by NGED were calculated based on Ofgem disaggregated benchmarking unit costs for asset replacement for the main assets that are required at each site. It is important to recognise the volume and type of work required at the end of each network will be unique. We have also not undertaken these types of interconnection projects before; and hence applying a median benchmark cost for quite bespoke projects is not fit for purpose assessment on these type of interconnector projects.

Furthermore, DNOs may have used different assumptions for presentation of the costs. The projects across boundaries will require works on both networks, but may only benefit one company. Projects where there are shared benefits may have had the costs shared, whereas projects that benefit a single DNO may have had all cost allocated to that DNO. It is also unclear whether DNOs have used consistent approaches to presentation of costs.

We would recommend Ofgem uses the DNO proposed costs for these projects (which it has for other allowed projects), or alternatively we propose that a piece of work is undertaken by Ofgem to ensure that costs are being derived and presented consistently ahead of any benchmarking adjustments.

QUESTION ED. Q5. Do you agree with Ofgem’s assessment of the vegetation management proposals and rejecting the requests for an allowance?

In paragraph 4.38 of the Draft Determination ED Annex, Ofgem recognises that “damage from vegetation and debris is one of the largest causes of electricity disruption network failure during a storm”

NGED has proposed an expansion to the resilience tree clearance programme that goes beyond the proposals included in the RIIO-ED2 business plan that were assessed, benchmarked and formed part of the Totex allowances. Specifically, in this re-opener, NGED proposed to start resilience clearance on HV networks, whereas the RIIO-ED2 business plan proposals only sought and provided funding for EHV networks. This type of HV network clearance work has not been undertaken in the past and therefore is not part of our historical cost base which has been benchmarked by Ofgem. This is a new activity we are proposing to undertake going forward and hence additional allowances are required to deliver this task and associated customer outputs.

In the Draft Determination Ofgem suggests that DNOs should utilise existing Totex allowances, reprioritising activities to achieve greatest benefit. Such an approach inhibits expansion of the tree clearance programme and therefore misses an opportunity to address one of the main causes of disruption during storms.

In light of the additional work required to start resilience clearance of on HV networks we urge Ofgem to reconsider providing allowances where programmes of tree clearance are being significantly expanded.

QUESTION ED. Q6. Do you agree with Ofgem’s assessment of the Temporary Power Sources proposals and rejecting the requests for an allowance?

Temporary power supplies, such as mobile generators, are very useful to provide customers with power while network repairs are being carried out. The more generation that is available to be used means more customers can be restored (albeit using temporary supplies).

NGED has requested a modest 10% increase in the fleet of generators that we own, as well as introducing small suitcase generators that can provide essential supplies for vulnerable customers.

We recognise that the use of mobile generation is business as usual, but both Ofgem and E3C recommendations recommended that enhanced use of generation should be explored. That is

why we proposed a limited expansion of the fleet to 'enhance' the availability of mobile generation during storms.

One of the reasons Ofgem cites for rejecting the proposals is that there was lack of clarity on how the generation would be deployed outside of storms. Generators are used regularly to provide back-up supplies during prolonged faults and during planned work. They are useful in a range of situations, but especially during storms where there are many faults occurring at the same time and having more generation means that more customers can be restored.

This solution is particularly important for customers at the extremities of the network, who during a storm will take longer to restore as the network is restored in stages – sometimes resulting in nested faults or subsequent faults. The use of temporary generation will support these customers whilst the network is being fully restored.

We urge Ofgem to reconsider allowing the expansion of mobile generation fleets.

QUESTION ED. Q7. Do you agree with Ofgem's assessment of the Customer Care and Welfare proposals and rejecting the requests for an allowance?

No comment.

QUESTION ED. Q8. Do you agree with Ofgem's assessment of the Customer Communication proposals and rejecting the requests for an allowance?

NGED proposal 12 to enhance call taking telephony servers is as a direct consequence of a system overload and failure during Storm Arwen. Ofgem Storm Arwen recommendation 10 states that DNOs should stress test their telephony systems to ensure adequate capacity during severe weather events. NGED's experience was a live actual stress test of the capability of the systems and it ran out of capacity given the uniqueness of such a large scale event.

Ofgem suggests that a funding route is already available through IT & Telecoms allowances. The need for this enhancement was not known at the time of submitting RIIO-ED2 business plans and therefore does not factor in the IT & Telecoms allowances. Utilising the allowances to undertake the required server enhancements would mean that other activities would have to be reduced.

Ofgem also suggests that a cost breakdown has not been provided. The costs submitted by NGED are derived from a detailed supplier quote (which is attached as Appendix D).

We urge Ofgem to reconsider providing the allowances for telephony server enhancements.

QUESTION ED. Q9. Do you agree with Ofgem's assessment of ENWL's request for allowances?

No comment

QUESTION ED. Q10. Do you agree with Ofgem's assessment of SSEN's request for allowances?

No comment

QUESTION ED. Q11. Do you agree with Ofgem's assessment of NPg's request for allowances?

No comment

QUESTION ED. Q12. Do you agree with Ofgem's assessment of SPEN's request for allowances?

No comment

QUESTION ED. Q13. Do you agree with Ofgem's assessment of NGED's request for allowances?

We make comments about Ofgem's assessment of each of the NGED proposals in the table below, but we have a fundamental concern about the rejection of providing Closely Associated Indirect (CAI) costs.

Many of the programmes of work proposed for the Storm Arwen re-opener will require network design, project management, system mapping, arrangement of wayleaves, etc. to allow the direct work to progress. This policy position was recognised by Ofgem in setting the baseline volumes of work required in RIIO-ED2, with an included Indirects Scaler for LRE. The existing ED2 Indirects Scaler would not recognise the additional work being required for Storm Arwen and hence it is necessary to provide CAI allowances in SART to facilitate the delivery of these allowed and necessary additional programmes of work.

NGED's submission of CAI costs uses ratios established in the Distribution Licence for the Indirects Scaler (IS) for load related UMs. We believe that it is a proportionate approach to generating allowances for the additional CAI activities².

Ofgem state that they have removed CAI funding because they do not believe it is in scope of SART (para 4.82). However, the Associated Document 'Re-opener Guidance and Application Requirements Document' states in para 3.20 that a re-opener application can include both direct and indirect costs (except where the re-opener mechanism is listed under the indirects scaler term, which is not applicable for Storm Arwen). Therefore, the approach by NGED to request CAI funding is in line with this requirement, and should be in the scope of SART.

We urge Ofgem to allow the necessary consequential CAI costs that are associated with delivering the accepted Storm Arwen programmes of work.

² As stated on page 54 of NGED's Storm Arwen submission, the modelling for the calculation of the 0.108 IS multiplier was based on an input of capex which included load, non-load and non-op capex, so has validity to be the basis of the calculation for CAIs for this re-opener.

The following table provides comments for each of the NGED proposals:

Activity	NGED comments on Ofgem assessment																								
<p>Proposal 1: Undergrounding HV OHL in wooded areas: Undergrounding or diversion of 51km of OHL from wooded areas to remove the risk of tree damage or avoid other damage caused by storms.</p>	<p>We welcome Ofgem’s acceptance.</p>																								
<p>Proposal 2: Replacing LV open wire OHL impacted by trees: covert the bare conductors to ABC, which will provide resilience to LV OHL.</p>	<p>Ofgem has rejected this, suggesting that they do “not believe that this proposal will be beneficial as a stand-alone project and therefore does not provide value to customers”.</p> <p>A similar activity, proposal 15 in NPg, has been approved because it is focussed on high risk areas such as circuits near the coast and on high ground.</p> <p>NGED’s proposal focussed on lines near trees because it is widely acknowledged that trees are a major cause of damage during storms. Furthermore, the LV network tends to be restored after the HV network and therefore faults on the LV network contribute to customers being off supply for a long time during storms. Proactive activities that can reduce the risk of faults (such as conversion of open wire to ABC) are beneficial to reduce the number of faults and hence the amount of activity required during a storm.</p> <p>NGED has open wire LV circuits near the coast and NGED has extensive coastline in SWEST, SWALES and EMID of around 1000km. There are also lengths of LV open wire that are installed at altitude.</p> <p>The following table shows the proportion of LV open wire conductors that is within 250m (1/4 km) from the coast and above 333m (1/3 km) above sea level.</p> <table border="1" data-bbox="810 1487 1430 1854"> <thead> <tr> <th></th> <th>High Altitude</th> <th>Coastal</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>West Midlands</td> <td>6%</td> <td>1%</td> <td>8%</td> </tr> <tr> <td>East Midlands</td> <td>8%</td> <td>5%</td> <td>13%</td> </tr> <tr> <td>South Wales</td> <td>7%</td> <td>14%</td> <td>20%</td> </tr> <tr> <td>South West</td> <td>2%</td> <td>24%</td> <td>26%</td> </tr> <tr> <td>NGED</td> <td>5%</td> <td>11%</td> <td>16%</td> </tr> </tbody> </table> <p>This represents the LV network at greatest risk from storm damage. Applying these percentages to the</p>		High Altitude	Coastal	Total	West Midlands	6%	1%	8%	East Midlands	8%	5%	13%	South Wales	7%	14%	20%	South West	2%	24%	26%	NGED	5%	11%	16%
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	<p>original programme proposed by NGED for replacement of LV open wire near trees and continuing with an assumption that the programme will be delivered over 20 years gives the following volumes and costs in RIIO-ED2.</p> <table border="1" data-bbox="810 474 1273 840"> <thead> <tr> <th></th> <th>ED2 Length (km)</th> <th>ED2 Costs (£m)</th> </tr> </thead> <tbody> <tr> <td>West Midlands</td> <td>8</td> <td>0.21</td> </tr> <tr> <td>East Midlands</td> <td>7</td> <td>0.19</td> </tr> <tr> <td>South Wales</td> <td>7</td> <td>0.20</td> </tr> <tr> <td>South West</td> <td>30</td> <td>0.81</td> </tr> <tr> <td>NGED</td> <td>53</td> <td>1.41</td> </tr> </tbody> </table> <p>Under the assessment of NPg’s submission, Ofgem deem activity valid in coastal and high altitude areas. The revised volumes and costs shown in the table above represent a similarly focussed NGED programme if Ofgem supports NPg’s form of proposal.</p> <p>We urge Ofgem to reconsider this NGED proposal (especially in its revised form), given that similar activity has been approved for NPg.</p>		ED2 Length (km)	ED2 Costs (£m)	West Midlands	8	0.21	East Midlands	7	0.19	South Wales	7	0.20	South West	30	0.81	NGED	53	1.41
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<p>Proposal 3: Resilience tree cutting on HV circuits</p>	<p>Refer to our response to ED5.</p>																		
<p>Proposal 4 and 8: Fault monitoring and detection Application of Pre-Fix and LineSIGHT detectors for fault location: Pre-Fix aims to identify disturbances on the network caused by potential faults, in order to remove these defective components before they cause a fault. LineSIGHT allows for faster identification of the location of faults and can also identify the type of fault.</p>	<p>We welcome Ofgem’s acceptance.</p>																		
<p>Proposal 5: Torque tooling for LV fuses: Replacement of fuses that have been overtightened following storm repair.</p>	<p>Ofgem have rejected this proposal. Ofgem state this wasn’t linked to a recommendation; however we did provide reference through to page 12 of the BEIS Storm Arwen report which cites that “restoration efforts remain an integral part of electricity network resilience”. This proposal will improve restoration times as explained in our application.</p> <p>Ofgem also states that this request is retrospective and so is out of the scope of this re-opener. This approach is not in line with SpC3.2 Part I: para 3.2.67 states that this re-opener can be used “...where the costs incurred...have changed...”; para 3.2.70(b) also states that the application must be confined to costs incurred</p>																		

	<p>after 1st April 2023. The expenditure in this proposal was incurred in reporting year 2023/24 and is therefore in line with the licence requirements on this basis.</p>																								
<p>Proposal 6: Reducing customers in a protection zone to 1000: Subdividing circuits into smaller zones by installing additional protection devices, to prevent customers upstream of the devices being affected by faults downstream of the devices.</p>	<p>Three DNOs have made proposals to install additional automation and remote control (NPg (proposal 17), UKPN (proposal 7) and NGED), but only NPg's has been accepted.</p> <p>NGED's proposal aimed to focus on circuits where many customers are affected by a fault (even after existing automation and remote control). This would limit the maximum affected to 1000. This was rejected as not going beyond BAU.</p> <p>UKPN's proposal which was rejected focussed on overhead lines, reducing the number of customers affected to 300. This was rejected because it was generally applied.</p> <p>NPg's proposal focussed on high risk areas. This was approved.</p> <p>All three activities are very similar. NGED's proposal is going beyond BAU because it is addressing protection zones that would not be addressed under current programmes and is focussed on circuits with greatest impact on customers. However, we do accept that the original proposals were based upon situations across the whole network.</p> <p>Assuming that the data used for the revised NGED proposal 4 (above) is typical for networks at altitude and by the coast, the following percentages represent circuits at risk and, as a minimum, allowances should be granted for this proportion of the original request.</p> <table border="1" data-bbox="810 1480 1426 1883"> <thead> <tr> <th></th> <th>High Altitude & Coastal</th> <th>Revised ED2 volumes</th> <th>Revised ED2 costs (£m)</th> </tr> </thead> <tbody> <tr> <td>West Midlands</td> <td>8%</td> <td>15</td> <td>0.22</td> </tr> <tr> <td>East Midlands</td> <td>13%</td> <td>48</td> <td>0.70</td> </tr> <tr> <td>South Wales</td> <td>20%</td> <td>12</td> <td>0.17</td> </tr> <tr> <td>South West</td> <td>26%</td> <td>60</td> <td>0.87</td> </tr> <tr> <td>NGED</td> <td>16%</td> <td>135</td> <td>1.96</td> </tr> </tbody> </table>		High Altitude & Coastal	Revised ED2 volumes	Revised ED2 costs (£m)	West Midlands	8%	15	0.22	East Midlands	13%	48	0.70	South Wales	20%	12	0.17	South West	26%	60	0.87	NGED	16%	135	1.96
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NGED	16%	135	1.96																						

	We urge Ofgem to reconsider this reduced scope proposal, given that similar activity has been approved for NPg.
Proposal 7: Automation of spur protection: Targeted programme to install TripSaver II to replace fuses on spurs that have either more than 150 customers or are longer than 10km, or where both situations apply.	We welcome Ofgem's acceptance.
Proposal 9 & 10: Generators	Refer to our response to ED6.
Proposal 11: Pre-emptive movement of resources: Funding request to allow for the pre-emptive movement of resources during storm periods to enable staff to start dealing with storm damage as soon as it occurs.	<p>Ofgem reject this proposal suggesting it is immature. Ofgem also suggest that NEWSAC arrangements are in place.</p> <p>This is a new concept for responding to anticipated localised storms. (It should be noted that it does not apply to widespread storms affecting multiple areas.)</p> <p>NGED has contiguous geographic areas, which means that mutual support can be provided from adjacent licence areas (within the NGED group).</p> <p>The proposal for pre-emptive movement of resources applies to costs associated with moving internal staff to other parts of the company where a localised storm is predicted. NGED has recent experience of Storm Ciaran that only affected the South Coast. Had resources from other areas been deployed in response to the weather forecasts, rather than waiting for the aftereffects of the storm, resources would have been in place to restore supplies more quickly.</p> <p>The NGED proposal assumed one localised storm per annum and the cost reflected the hotel and sustenance costs for 50 staff over three days.</p> <p>The practice of redeploying resources across areas is well-established (not immature). The novelty of this proposal is responding to weather forecasts, rather than waiting for damage to occur.</p> <p>We urge Ofgem to reconsider the assessment.</p>
Proposal 12: Enhancements to telephony servers	Refer to our response to ED8
Proposal 13: Inter-DNO interconnection	We welcome Ofgem's acceptance. Refer to our response to ED4.
Proposal 14 & 15: Inter and Intra-NGED DNO interconnections: Request funding to inter-NGED DNO interconnections to provide alternative supplies that	Legacy development of the networks under previous separate ownerships has led to cross-NGED border

<p>can be used to restore power when repairs are being completed.</p>	<p>interconnection opportunities similar to those observed with cross-DNO border situations.</p> <p>NGED, owning 4 separate DNOs, has the most border between DNOs under the same ownership and therefore the biggest legacy issue.</p> <p>We therefore believe that the inter-NGED DNO interconnections (proposal 14) should be considered for acceptance alongside the cross-DNO interconnections (proposal 13).</p> <p>We accept that intra-NGED DNO interconnections – those within a boundary of a DNO (proposal 15) - has been rejected.</p>
<p>Proposal 16: Network geospatial mapping: Funding to enhance data capture and visualisation and to provide better identification of where trees are close to overhead lines. This will enable to prioritisation of tree clearance activities as well as other resilience activities.</p>	<p>We note that the SP proposal 4 for a digital twin has been approved.</p> <p>NGED proposal 16 sought to build a digital twin of the network with three dimensional geospatial mapping and identification of trees in proximity to lines to enable analysis to prioritise resilience related activities. This is very similar to the project accepted for SP.</p> <p>We urge Ofgem to reconsider the assessment.</p>
<p>Proposal 17: Closely Associated Indirects (CAIs)</p>	<p>Refer to our comments above relating to allowing CAIs.</p>

QUESTION ED. Q14. Do you agree with Ofgem’s assessment of UKPN’s request for allowances?

No comment

Appendix B – Observed Errors in the Consultation

Table ED1 (page 10)

- Data in column 5 for EMID (Ofgem's DD – Projects Approved) should state 4. It incorrectly states 1.
- It follows that data in column 6 for EMID (Ofgem's DD – Projects Not Approved) should state 11. It incorrectly states 14.
- This table is stated to a mixture of 1 and 2 decimal places. Values should be stated consistently to 2 decimal places throughout.

Table ED3 (page 12)

- Data in the final column (Ofgem's DD – Allowances (£m)) is incorrect. It appears to have been shifted one row down. For example NPgN has the allowance that should be against ENWL, etc. This means the values stated in this table by DNO are significantly different to those included elsewhere in the Draft Determination.
- Data in column 5 for EMID (Ofgem's DD – Projects Approved) should state 4. It incorrectly states 1.
- It follows that data in column 6 for EMID (Ofgem's DD – Projects Not Approved) should state 11. It incorrectly states 14.
- There is a referencing error in para 2.3 above this table. It currently states "Error! Reference source not found. below summarises...."; this should read "Table ED3 below summarises...."

Table ED21 (page 53)

- Proposal 1 should state undergrounding 51km of overhead line. It incorrectly states 340km.

Table ED22 (page 57)

- This table is stated to a mixture of 1 and 2 decimal places. Values should be stated consistently to 2 decimal places throughout.
- Because of the inconsistencies in decimal places, the sum of the individual projects is £18.09m, but the total of the table is £18.17m. We think £18.17m is the correct total value.
- The values in Table ED22 are also not consistent with the values in the 'Storm Arwen Price Control Deliverable' table on pg.79 (summarised to NGED level in the table below):

£m		Table ED22	Licence	
Project		Per pg.57	Per pg.79	Variance
Undergrounding HV overhead lines in wooded areas		6.40	6.38	0.02
Application of Pre-Fix detection for fault location		5.40	5.43	-0.03
Automation of spur protection		1.80	1.84	-0.04
LineSight detectors to identify nested and low conductor faults		3.60	3.65	-0.05
Inter-DNO interconnection		0.89	0.90	-0.01
	Project Total	18.09	18.20	-0.11
	Total stated in Table ED22	18.17		
	Variance			-0.08

Appendix C – Observations and Issues on the ‘Draft Notice of statutory consultation to modify the Special Conditions for Storm Arwen’ (Appendix 4)

The following issues and observations on the wording of the draft notice and proposed changes to the Special Conditions (Appendix 4 in the Draft Decision) have been identified.

Ahead of the issue of the final version, NGED propose that an updated draft of this licence condition should be sent to the Licence Drafting Working Group (LDWG) for a further review.

Introductory Note (page 69-70)

- The Introductory Note incorrectly references section 3.7 Part I, when it should be 3.2 Part I (though we do note that it is referenced correctly in the proposed Statutory Consultation wording itself).
- An additional reference to SpC 1.2 (definitions) changes is also needed in the main body of the Statutory Consultation (currently only references SpC 3.2 and 3.14).

Annex 1: Modifications to SpC1.2

- It is necessary to remove the ‘or’ in “between Cyber Resilience IT PCD Table, **or** Special Condition 3.6”, as 3.6 is no longer the last item in the list.

Annex 2: Proposed removal of Part I of SpC 3.2

- We do not support the wholesale deletion of Part I and paragraphs 66 to 73 of SpC 3.2 as this will cause cross referencing issues as subsequent Parts and paragraphs auto update their references. Instead, we propose the part’s heading and paragraphs are left in, but the text in them is replaced with “No longer used”. This is in line with the wording in the existing distribution licence Special Conditions.
- Appendix A of SpC 3.2 currently makes reference to values of SARt. These would also need to be deleted if Storm Arwen is now going to be fully covered by SpC 3.14.

Annex 3: Addition of SpC 3.14

- **3.14.2** - The capitalised term “Storm Arwen Projects” is included in SpC 3.14.2 so a definition should be included in SpC 1.2 for clarity and consistency. We suggest “means the projects for the licensee that are specified in Appendix 1 to Special Condition 3.14 (Storm Arwen Re-opener and Price Control Deliverable)”;
- **3.14.6** - SpC 3.14.6 states that it establishes the Storm Arwen Re-opener. This has already been done by the existing licence where it is a defined term in SpC 1.2, which points at SpC 3.2 which Ofgem are now proposing to delete. Therefore the term “Storm Arwen Re-opener” in SpC 1.2 needs to be updated to point to the updated location of this re-opener in the licence, ie now SpC 3.14.
- **3.14.9 (a)** – The paragraph reference is missing (this should be to 3.14.7).

- We propose the following wording:

3.14.9(a) “.....including an explanation of how the circumstances in paragraph 3.14.7 are met”.

- **3.14.9 (b)** - This refers to the changes being sought to SART. Sub-element (b) specifically relates to making changes to the values of SART in Appendix 1. Previously (in 3.2 part I) appendix A had the values of zero representing the values at the start of the RIIO-ED2 price control. However, Appendix 1 in SpC 3.14 contains the outcomes of the re-opener (not the values before the re-opener).

- It could be resolved by deleting the reference to Appendix 1 as the following proposal:

“(b) sets out the modifications to the value of SART ~~in Appendix 1 being sought;~~”

- **3.14.11** - This condition refers to part S, but there is no part S in SpC 3.14. Since this text has been copied from SpC 3.2, it should refer to SpC 3.2³.

- We propose the following wording:

“3.14.11 The Authority may also instigate this Re-opener in accordance with Part S of Special Condition 3.2 (Uncertain Costs Re-openers).”

- **3.14.12 (a)** - This refers to the changes that can be made under the Storm Arwen Re-opener. Sub-element (a) specifically relates to making changes to the values of SART in Appendix A. Previously (in 3.2 part I) appendix 1 had the values of zero representing the values at the start of the RIIO-ED2 price control. However, Appendix 1 in SpC 3.14 contains the outcomes of the re-opener (not the values before the re-opener).

- It could be resolved by deleting the reference to Appendix 1 as the following proposal:

“(a) modifications to the value of SART ~~set out in Appendix 1;~~”

- **3.14.13** – The paragraph reference is missing (should this be 3.14.8).

- We propose the following wording:

3.14.13 “.....application made under paragraph 3.13.8 must be made..”.

- **3.14.14** - For this paragraph to work, SpC 3.3 would also need to be modified to refer to SpC 3.14.

- **3.14.16** – the paragraph reference is incorrect – this should be to 3.14.14 (rather than 3.14.12).

- **Appendix 1, table 2 within this appendix (page 79)**

³ Note there is currently no Part S in SpC 3.2 (it is Part R), but the Housekeeping process has established an incorrect omission of Part A, and so Part S will subsequently be re-established

- The delivery years in this table are wrong. The columns are set to 2021/22 – 2025/26, but should be revised to 2023/24 to 2027/28.
 - The totals in this table for NGED do not reconcile to the values in Table ED22 (see issue raised in Appendix B above)
 - There are also numerous rounding variances when compared to the sum of the individual years.
- **Requirement for additional Appendix 2 in SpC 3.14** - There are references to the value of Allowances and the term SART in Appendix 1 in SpC 3.14.4, SpC 3.14.9 and SpC 3.14.12. Appendix 1 does not contain total allowances/SART. An additional Appendix (Appendix 2) should be included with the total allowances set out.

Appendix D – Cost Breakdown for Proposal 12 (enhanced telephony servers)

The following attached file contains the detailed quotation provided for enhanced telephony servers. It shows the various costs of the components required.

Note that the costs in the quotation are based on 2023/24 prices and were deflated to 2020/21 prices for the Storm Arwen re-opener submission.



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