

To Scottish Hydro Electric Power Distribution plc

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Direction under Special Condition 3.2 of the electricity distribution licence held by Scottish Hydro Electric Power Distribution plc ('the Licensee') to add allowances for Shetland Enduring Solution.

1. The Gas and Electricity Markets Authority ('the Authority') is issuing a direction under Special Condition 3.2 to add additional allowances into the Licensee's licence.
2. Special Condition 3.2 provides a re-opener mechanism by which the Licensee may seek additional funding during the RIIO-2 price control period for activities related to the Shetland Enduring Solution.
3. The Licensee applied under Part O of Special Condition 3.2 in January 2024 and the Authority publicly consulted on its Draft Determination between 13 September 2024 and 13 October 2024. The Draft Determination included a draft of this direction, as required by Part Q of Special Condition 3.2. The Authority is directing this change as one of the two requirements in SpC 3.2.112 has been satisfied, 'there has been a change in the costs the licensee has incurred or expects to incur related to the Shetland Enduring Solution, relative to any previous allowances for such costs, that exceed the Materiality Threshold.
4. The Authority received seven non-confidential representations and has placed these on ofgem.gov.uk. Having considered these representations, the Authority has decided to proceed with making this direction for the reasons outlined in Ofgem's Final Determinations document published alongside this direction.

5. This direction will implement the Authority's decision on the Licensee's application to the Authority to add £27.13m (2018/19 prices) additional Shetland Enduring Solution allowances into its RIIO-2 price control framework.
6. This direction will modify the Licensee's licence to update Special Condition 3.2 Appendix 1, as shown in Table A1 below.

Table A1: Uncertain Costs without Evaluative Price Control Deliverables allowances (£m)

	23/24	24/25	25/26	26/27	27/28	Total allowance (all years)
PSUP _t	0	0	0	0	0	0
REC _t	0	0	0	0	0	0
ESR _t	0	0	0	0	0	0
EVR _t	0	0	0	0	0	0
SWR _t	0	0	0	0	0	0
DIGI _t	0	0	0	0	0	0
SAR _t	0	0	0	0	0	0
LRE _t	0	0	0	0	0	0
HVP _t	0	0	0	0	0	0
WDV _t	0	0	0	0	0	0
HO _t	0	0	0	0	0	0
SES _t	0	0	0	0	0	0
<u>SES_t</u>	<u>4.19</u>	<u>0.84</u>	<u>4.65</u>	<u>8.72</u>	<u>8.72</u>	<u>27.12</u>
SEFEC _t	0	0	0	0	0	0

7. This direction will take effect immediately.
8. This document constitutes notice of the Authority's reasons for the direction for the purposes of section 49A of the Electricity Act 1989.

Yours sincerely,

Nathan Macwhinnie
Deputy Director Price Control Operations
For and on behalf of the Authority