



Making a positive difference
for energy consumers

To:
Electricity Transmission
Network Operators, the
Electricity System Operator, and
interested Stakeholders

Date: 21 February 2025

Dear Company Secretaries and Stakeholders,

Proposal to modify the Regulatory Instructions and Guidance (“RIGs”) and the Regulatory Reporting Pack (“RRP”) for RIIO-ET2¹

Based on the experience of the first three years of the RIIO-ET2 price control, we² have reviewed the reporting requirements and engaged with the Electricity Transmission (ET) licensees to seek views on further improvements to the functionality of the RRP and to improve the supporting RIGs.

We are proposing to amend the RIGs and in particular the following documents for the ET licensees:

- RIIO-ET2 RRP data templates
- RIIO-ET2 RIGs document

Please find enclosed the Notice setting out our proposed changes issued pursuant to the Electricity Transmission Standard Licence B15 (Regulatory Instructions and Guidance).

We propose that if we implement these changes, they will take effect in April 2025³. For the avoidance of doubt, this means that the data to be submitted in July 2025 (in respect of the 2024-25 reporting year) should comply with the RIGs as modified in accordance with our published Decision Notice.

RIGs

The RIGs and RRP are the principal means by which we collect cost, volume, allowed expenditure, and output delivery information from licensees to monitor performance against their RIIO-ET2 objectives and hold them to account.

As part of the enclosed Notice, we provide the following documents with proposed modifications:

- RIIO-ET2 – Regulatory Reporting Template: Version 2.6, and
- RIIO-ET2 – Regulatory Instructions and Guidance: Version 1.9.

Proposed Modifications

We are proposing several modifications to the RIGs and RRP. These include:

¹ This is the second electricity transmission price control using the Revenue = Incentives + Innovation + Outputs (RIIO) price control model.

² References to ‘the Authority’, ‘GEMA’, ‘Ofgem’, ‘we’, ‘us’ and ‘our’ are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets. Ofgem is the office of the Authority which supports GEMA.

³ We propose to modify the RIGs in a direction on or after 31 March 2025.

- changes and corrections to the RRP pack,
- making consequential updates to the RIGs to clarify the existing reporting requirements, and
- developments in relation to an area of additional information.

We set out the effect of and reasons for these modifications below.

PCFM Guidance

The PCFM Guidance provides licensees with information on how to fill in the inputs in the Revenue sheets of the RRP, which feed into the PCFM and are used in setting the licensees' Allowed Revenues through the Annual Iteration Process (AIP).

As part of the enclosed notice, we provide the document below for reference with no proposed modifications.

- RIIO-ET2 PCFM Guidance: Version 1.3

General updates

We have included a few updates and corrections to the RRP pack and RIGs. The updates were identified during discussions with the relevant ET licensees to clarify existing reporting requirements and align them with recent changes made to the RIIO-ET2 Licence conditions.

Accelerated Strategic Transmission Investment (ASTI)

We have also made amendments to the RRP pack and the RIGs to support the collection of cost and volume data associated with projects delivered through the ASTI framework.

The ASTI framework⁴ – introduced in December 2022 – is a further important step towards accelerating network investment and reinforcing the onshore electricity transmission network. It incentivises companies to ensure that new, large transmission investment projects identified in the Centralised Network Strategic Plan⁵ can flow quickly through the regulatory approvals process.

The current RRP template was designed to capture and collate information relevant to the design and operation of the RIIO-2 settlement agreement as set out in the Final Determination (FD) documents⁶. The template was therefore designed and implemented prior to the creation of the ASTI framework.

Since its implementation, the separation of ASTI reporting has been largely maintained.⁷ This approach is driven by the significant scale of ASTI values and the need to carefully manage its inclusion. This has helped minimise any potential negative impact on the ET licensees' reporting capabilities and ensures we can continue to effectively monitor and compare costs, volumes, and output delivery against the RIIO-ET2 price control agreement from 2021.

Now that the reporting arrangements for RIIO-ET2 are well-established, we consider that the ET licensees understand the reporting requirements to maintain separation of RIIO-2

⁴ <https://www.ofgem.gov.uk/decision/decision-accelerating-onshore-electricity-transmission-investment> The timeline for the completion of ASTI projects varies depending on the specific project and its complexity. However, the aim is to have the critical projects completed by 2030.

⁵ <https://www.ofgem.gov.uk/decision/funding-and-approval-framework-onshore-transitional-centralised-strategic-network-plan-2-projects-decision>

⁶ <https://www.ofgem.gov.uk/decision/riio-2-final-determinations-transmission-and-gas-distribution-network-companies-and-electricity-system-operator>

⁷ The current RRP accommodates the population of limited information, via E1.11 'Pipeline Log', allowing information to be provided to fulfil the need for ASTI expenditure to be reflected in the revenue sheets and used as a source for the Price Control Financial Model.

and ASTI investments and the continued need to provide separate reporting and commentary. To support this, we agree with ET licensees that increased visibility of cost and volume data for ASTI schemes currently under construction is beneficial. Therefore, we propose introducing additional data reporting requirements within the RRP (and supporting commentary) to enable ET licensees to report more detailed information on direct costs, indirect costs, volumes, direct cost allowances, and indirect cost allowances. Please note that the requirement to populate ASTI information within the E1.11 pipeline log will remain unchanged for projects that have yet to received approval.

RIIO-ET3

We are reaching the end of the RIIO-2 period for electricity transmission. The next electricity price control (RIIO-ET3) will start in April 2026.

We recognise the resource and administrative concerns of ET licensees regarding the ability to provide the necessary engagement and detail required in the development of a RIIO-3 business plan, address points of inquiry arising from our ongoing review of the submissions and the development, assurance and submission of the annual RIIO-ET2 RRP in parallel.

To address these concerns, we have engaged the ET Licensees to identify areas where it may be possible to temporarily reduce and/or suspend annual reporting requirements in the forthcoming RRP template and reduce the administrative burden.

We are consulting on the data reporting amendments set out below, which we believe represent a pragmatic set of reporting requirements for the RIIO-ET2 data submission.

RRP Reference	Comment
D4.5 Op Training (CAI) LOTI Memo E1.11a ET Pipeline Log Memo tab D4.10_Asset_Mapping D4.11_Asset_ID D4.12_Site_ID	We are minded to suspend population of the information breakdown for this worksheet for the 2024/25 reporting year only.
E1.6 System Characteristics, average circuit unavailability only	We are minded to suspend population of this element of the E1.6 worksheet for the 2024/25 reporting year only. As this looks at average position, we do not expect to use it directly in our short-term analysis. We reserve the right to request TOs to submit the data at a later date and expect them to notify us if ACU drops significantly below historical levels.

For further details on changes to the RRP, please refer to the Change Log tab at the front of the pack, and to the Issues Log which sets out in more detail the changes made. For changes to the RIGs, please see the tracked changes within the document.

We welcome representations on our proposed modifications on or before Friday 21 March 2025, and the details for responding are contained in the enclosed note.

Yours faithfully,

Nathan Macwhinnie

**Deputy Director
Price Control Operations**

To: National Grid Electricity Transmission plc ("NGET")
(Company Number: 02366977)
SP Transmission Limited ("SPTL")
(Company Number: SC189126)
Scottish Hydro Electric Transmission plc ("SHET")
(Company number: SC213461)

(each one a "Licensee", and together, "the Licensees")

Notice under Part A of Standard Condition B15 (Regulatory Instructions and Guidance) ("SC B15") of the Electricity Transmission Licence (the "Licence") granted to the Licensees under section 6(1)(b) of the Electricity Act 1989 (the "Act").

The Gas and Electricity Markets Authority (the "Authority")⁸ hereby gives notice under Part A of SC B15 as follows:

Proposal to modify the Regulatory Instructions and Guidance (RIGs)

1. The Authority proposes to modify the RIGs in accordance with SC B15 of the Licence.
2. The RIGs are the primary means by which the Authority directs the Licensees to collect and provide information to the Authority, to enable it to administer the Special Conditions of the Licence and, where not referenced in the Licence, the RIIO-ET2 Final Determinations.⁹ Part A of SC B15 sets out the process for issuing and modifying the RIGs.
3. In accordance with SC B15, the Authority hereby gives notice to the Licensees that it proposes to modify the RIGs in the manner indicated in the documents that can be accessed on its website, published alongside this Notice.
4. The proposed modifications refer specifically to information required to be submitted to the Authority on or before 31 July 2025 in relation to:
 - RIIO-ET2 – Regulatory Instructions and Guidance: Version 1.9; and
 - RIIO-ET2 – Regulatory Reporting Template: Version 2.6.
5. The proposed modifications are summarised below:
 - General amendments to the template and guidance to correct labelling, calculation and referencing errors; and
 - Amendments to the RRP pack and the RIGs to support the collection of cost and volume data associated with projects delivered through the Accelerated Strategic Transmission Investment (ASTI) framework.
 - Updates to the PCFM Input Summary, Output Delivery Incentives and Licence value tabs to ensure formulae are working as intended and references to units are correct.
6. The purpose of the proposed modifications is to update the existing reporting requirements of the Licensees, and to align the template and guidance with the

⁸ The "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Office of Gas and Electricity Markets (Ofgem) supports the Authority in its day to day work.

⁹ <https://www.ofgem.gov.uk/decision/riio-2-final-determinations-transmission-and-gas-distribution-network-companies-and-electricity-system-operator>

latest special licence conditions and Price Control Financial Instruments.

7. The Authority proposes that these modifications should take effect in April 2025.
8. The licensees must complete and return the reporting pack referred to above as part of the 2024/25 RIGs process.

Further information

9. The RIIO-2 RRP template and RIIO-2 RIGs document, published alongside this notice, show the proposed modifications as incorporated. The PCFM Guidance is published alongside this notice with no proposed modifications.
10. Copies of this Notice and other documents referred to in it are available on the Ofgem website (www.ofgem.gov.uk).
11. Any representations on the proposed modifications must be made on or before Friday 21 March 2025 to Aminat.Raheem@ofgem.gov.uk
12. Our normal practice is to publish responses on our website. We prefer to receive responses in an electronic form for publication on our website. However, if you do not wish for your response to be made public then you should clearly mark your response as "not for publication".

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Nathan Macwhinnie
Deputy Director
Price Control Operations

Duly authorised on behalf of the Authority
21 February 2025