



RP7 LICENCE AMENDMENTS NIE NETWORKS RESPONSE

2nd December 2024



Alan Craig
Utility Regulator
Queens House
14 Queen Street
Belfast BT1 6ED

2 December 2024

Dear Alan

Licence Modifications Pursuant to the RP7 Final Determination and other Regulatory Decisions

NIE Networks welcomes the opportunity to comment on UR's consultation in respect of the above. Our detailed comments are set out in the tables overleaf.

Please let us know if you have any questions or require further clarification in respect of our comments.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Carl Hashim', written over a light blue rectangular background.

Carl Hashim
Head of Regulation Strategy

Comments on Annex A Distribution Licence PSO Annex 1

Modifications to Annex 1, Section 1 – Definitions

Reference Number	Final Licence Paragraph	Purpose / Reason	Modification
P1	Definitions	Redundant Text	In the definition of 'Average Specified Rate' remove the words ' From the ' at the end of the definition as they are not required.
P2	Definitions	Adjust for the RP7 price control period	In the definition of 'Regulatory Reporting Year t', replace '2013' with ' 2026 ' to reflect the first year of the RP7 period.
P3	Definitions	Adjust for the RP7 price control period	In the definition of 'Regulatory Tariff Year t', replace '2013' with ' 2026 ' to reflect the first year of the RP7 period.

Modifications to Annex 1, Section 2 – Introductory Provisions

Reference Number	Final Licence Paragraph	Purpose / Reason	Modification
P4	Para 2.3	Adjust for the RP7 price control period	In paragraph 2.3 replace '2012' with ' 2025 ' to align with the start of the RP7 Period.

Modifications to Annex 1, Section 3 - The Maximum Regulated PSO Amount

Reference Number	Final Licence Paragraph	Purpose / Reason	Modification
P5	Para 3.1	Adjust for the RP7 price control period	In paragraph 3.1 replace '2014' with ' 2025 ' to reflect the first tariff year in the RP7 Period.

Modifications to Annex 1, Section 5 - The Correction Factor Amount

Reference Number	Final Licence Paragraph	Purpose / Reason	Modification
P6	Para 5.1 b)	Paragraph Amendment	Rename paragraph 5.1b) to paragraph 5.1a) and remove the words ' <i>in all other Regulatory Reporting Years Kt shall be calculated as follows:</i> ' as this is not required.
P7	Para 5.1 b)	Formula Correction	Revise the formula for K_t from ' $K_t = (MPSOR_{t-1}) * (1 + I_t)$ ' to ' $K_t = (MPSOR_{t-1} - APSOR_{t-1}) * (1 + I_t)$ ' as it is currently incorrect.
P8	Para 5.1 b)	Inclusion of Licence Definition	Include a definition for $APSOR_{t-1}$. This definition should be ' APSOR_{t-1} means the actual Regulated PSO Amount recovered through PSO Charges in Regulatory Reporting Year t-1 '.

Modifications to Annex 1, Section 6 - PSO Charge Restriction Conditions and Appendix to Annex 1

Reference Number	Final Licence Paragraph	Purpose / Reason	Modification
P9	Para 6.4c	Duplicate Text	The words ' of the ' near the end of paragraph 6.4c) should be removed as these have been duplicated.
P10	Para 6.5d	Update Email Address	Revise the email address to ' electricity_networks_responses@uregni.gov.uk ' as the previous email address is no longer used.
P11	Para 6.17	Adjust for the RP7 price control period	Replace '1 April 2012' with ' 1 April 2025 ' to align with the start of the RP7 Period.
P12	Para 6.17	Delete Wording	Delete the words ' and in the Licensee's accounting statements referred to in Condition 2 of the Licence ' as there is no merit in duplicating this publication in NIE Networks' accounting statements.
P13	Appendix to Annex 1	Update NIE Networks Address	The NIE Networks address on the letter needs updated to the current address, shown below. Northern Ireland Electricity Networks NISEP Fund Administrator NIEN Finance Registered Office 120 Malone Road Belfast BT9 5HT

Comments on Annex B Distribution Licence Annex 2

Modifications to Annex 2, Section 1 - Definitions

Reference Number	Final Licence Paragraph	Purpose / Reason	Modification
D1	Definitions	Removal of duplicate wording	Delete the words ' cost in accordance with the Northern Ireland Fuel Security ' within the definition of the 'Licensee's Allowed Distribution Related Security costs' as these have been duplicated.
D2	Definitions	Adjust Definition	Change the words 'Transmission Owner Business' to ' Distribution Business ' in two places within the New Energy Strategy IT Solution definition.
D3	Definitions	Adjust Definition	Include the words ' in the second of the regulatory tariff years ' at the end of the permitted three-year percentage definition.

Modifications to Annex 2, Section 4 – The Regulatory Asset Bases

Reference Number	Final Licence Paragraph	Purpose / Reason	Modification
D4	Para 4.6	Formula Correction	The opening value of existing assets formula in paragraph 4.6 needs to be revised from ' $OE_{X_{2026}} = CE_{X_{2025}} + CADD_{X_{2025}} * CPIH_t / CPIH_{t-1}$ ' to ' $OE_{X_{2026}} = CE_{X_{2025}} + CADD_{X_{2025}} * CPIH_{2026} / CPIH_{2025}$ ' to reflect the opening value at the beginning of the RP7 reporting period, i.e. 2025/26.
D5	Para 4.6	Adjustment to Definitions	Change the date within the definition of the $CE_{X_{2025}}$ and $CADD_{X_{2025}}$ formulas from '1 April 2025' to ' 31 March 2025 ' to reflect the end of the RP6 period.
D6	Para 4.6	Inclusion of Text	Include the following words at the end of the $CE_{X_{2025}}$ formula definition ' which for the Distribution RAB will include the Rathlin RAB amount '. This is to acknowledge the movement in value from the old Rathlin RAB into the Distribution RAB.
D7	Para 4.6	Amendment of Text	The adjustment figure of £941,588.33 within the $CADD_{X_{2025}}$ definition, was based on a forecast October 2024 inflation rate in order to uplift to 2024/25 prices. This amount should be updated to reflect the actual October 2024 inflation figure published by ONS on 20th November 2024.

			<p>The total in 2024/25 prices is now £953,379.54 and comprises the following:</p> <p>LV Monitors £619,723.47 UoSAC £62,992.86 Contestability £270,663.21</p> <p>The reference to nominal prices should be changed to 2024/25 prices.</p>
D8	Para 4.6	Adjust Definition	<p>Following discussions with the UR regarding the treatment of the adjustment amount within the CADD_X₂₀₂₅ term we set out below a suggested revised definition.</p> <p>CADD_X₂₀₂₅ is,</p> <ul style="list-style-type: none"> (a) for each RAB_X other than RAB_D5Y, the closing value of additional assets for Regulatory Reporting Year t = 2025, as calculated in accordance with paragraph 4.9 of Annex 2 of the Licence in effect on the 31 March 2025, within the RP6 Financial Model including conversion to CPIH. (b) For RAB_D5Y the closing value of additional assets for Regulatory Reporting Year t = 2025, as calculated in accordance with paragraph 4.9 of Annex 2 of the Licence in effect on the 31 March 2025, within the RP6 Financial Model including conversion to CPIH, save that such calculation shall be on the basis that the allowed capex for RAB_D5Y for regulatory reporting year =2025 specified in Table 3 of Annex 2 of the licence in effect on 31 March 2025 was increased by £953,379.54 (2024/25 prices).
D9	Para 4.6	Inclusion of Smart Metering	<p>The proposed Distribution licence modifications permits the recovery of certain SMART metering costs incurred during RP7.</p> <p>The additional allowed Capex (ACDR_Xt) term – (Paragraph 4.46g) and the allowed opex other amount (AOOt) term – (Paragraph 6.15d) states:</p> <p><i>‘the allowed capex / Opex (if any) amount in Regulatory Reporting Year t, for planning and preparation for the rollout of smart metering, being the additional amount that the Authority determines in a published decision, to be appropriate for the expected incremental efficient costs in that Regulatory Reporting Year for preparation and planning for the rollout of smart metering which is clearly in pursuit of a Ministerial policy decision’</i></p>

			<p>Whilst this allows for the recovery of smart metering costs which will be incurred during RP7, there is currently no mechanism in the Distribution licence to enable recovery of any costs that have been incurred by NIE Networks to date and those that will be incurred to the end of the RP6 period.</p> <p>We would therefore request that the UR either:</p> <ul style="list-style-type: none"> a) Include an 'agreed amount' within the CADD_X₂₀₂₅ term within paragraph 4.6 similar to what has been done for the other 'RP6 carry over issues' identified in paragraphs 5.12 to 5.15 of Annex S. The figure of £953,379.54 would then increase by this 'agreed amount'. or b) Include additional wording at the end of the CADD_X₂₀₂₅ term to say £953,379.54 plus an amount to be determined in respect of smart metering costs incurred during RP6.
D10	Para 4.9	Amend Paragraph Reference	Amend the paragraph reference in the OE_X _t term from '4.6' to ' 4.6 & 4.7 '.
D11	Para 4.11	Formula Correction	Change the formula for the fixed depreciation amount from 'FDEP_X _t = (FDEP_RP6_X _t) * CPIH _t /CPIH _{t-1} ' to 'FDEP_X _t = (FDEP_RP6_X _t) * CPIH _t / CPIH₂₀₂₅ ' as these values will come from the RP6 model will be in 2024/25 prices.
D12	Para 4.11	Inclusion of Text	Include the following words to reference the price base in the FDEP_RP6_X _t definition: FDEP_RP6_X _t is, for each RAB_X, the fixed depreciation amount in 2024/25 prices in Regulatory Reporting Year t etc...
D13	Para 4.11	Adjust Definition	Include the following words at the end of the FDEP_RP6_X _t formula definition ' which for the Distribution RAB will include the Rathlin RAB amount '. This is to acknowledge the movement in value from the Rathlin RAB into the Distribution RAB.
D14	Para 4.15	Amend Paragraph References	Amend the paragraph reference for DIPTCE_X _t from 4.23 to 4.24 , amend the paragraph reference for DEPADD_X _t from 4.25 to 4.26 , amend the paragraph reference for CD_X _t from 4.28 to 4.29 and amend the paragraph reference for CI_X _t from 4.30 to 4.31 .
D15	Para 4.27	Amend Paragraph Reference	Amend the Paragraph reference in the first line from 4.25 to 4.26 , i.e. 'For the purposes of paragraph 4.26 etc...'
D16	Para 4.27	Amend Paragraph References	Amend the paragraph reference for PTCE_X _t from 4.20 to 4.21 , amend the paragraph reference for DIPTCE_X _t from 4.23 to 4.24 , amend the paragraph reference for CD_X _t from 4.28 to 4.29 and amend the paragraph reference for CI_X _t from 4.30 to 4.31 .
D17	Para 4.31	Amend Paragraph References	Change the paragraph references in the text as follows - The allowed capex for RAB_D5Y is calculated in accordance with paragraph 4.33 . The allowed capex for RAB_DN is calculated in accordance with paragraph 4.35 . The allowed capex for RAB_D10Y is calculated in accordance with paragraph 4.37 . The allowed capex for RAB_MTRN is calculated in accordance with paragraph 4.39 .

D18	Para 4.33	Formula Correction	Amend the formula for AC_D5Y _t to 'AC_D5Y _t = (AC_FD_D5Y _t * CPIH _t / CPIH _{tpb}) * CRPEPF _t '.																																										
D19	Para 4.35	Formula Correction	Amend the formula for AC_DN _t from 'AC_DN _t = (AC_FD_DN _t + VDA _t) * CPIH _t / CPIH _{tpb} * CRPEPF _t ' to 'AC_DN _t = (AC_FD_DN _t + VDA_DN_t) * CPIH _t / CPIH _{tpb} * CRPEPF _t ' to align with the name given in the definition.																																										
D20	Para 4.35	Amendment to Table Reference	Amend the table reference in the AC_FD_DN _t formula from Table 3 to Table '4' .																																										
D21	Para 4.35	Amendment of Maximum Expenditure Figure	Following discussions with the UR, the maximum expenditure figure included in the VDA_DN _t term should be changed from £152.3m to £152.5m .																																										
D22	Para 4.35	Amendment to Table 4	Following discussions with the UR Table 4 should be amended as follows to reallocate allowances between capex and opex: <table border="1" data-bbox="1077 560 2107 683"> <thead> <tr> <th>Year</th> <th>t=2026</th> <th>t=2027</th> <th>t=2028</th> <th>t=2029</th> <th>t=2030</th> <th>t=2031</th> </tr> </thead> <tbody> <tr> <td>AC_FD_DN (original)</td> <td>143.567</td> <td>152.990</td> <td>145.853</td> <td>145.841</td> <td>145.346</td> <td>145.280</td> </tr> <tr> <td>AC_FD_DN (Revised)</td> <td>143.567</td> <td>152.990</td> <td>147.629</td> <td>147.638</td> <td>147.054</td> <td>146.981</td> </tr> </tbody> </table>	Year	t=2026	t=2027	t=2028	t=2029	t=2030	t=2031	AC_FD_DN (original)	143.567	152.990	145.853	145.841	145.346	145.280	AC_FD_DN (Revised)	143.567	152.990	147.629	147.638	147.054	146.981																					
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D24	Para 4.39	Amendment to Table Reference	The formula heading within Table 8 needs to be amended from MAU_C _t to ' MAU_FD_C_t '.																																										
D25	Para 4.45 + Para 4.46	Amend Formula and Text	The formula for ACDR_X _t = ACDR_X _t * CPIH _t / CPIH _{tpb} does not work as it currently stands. This needs to be amended and a new term included. The formula could be ' ACDR_X_t = ACDR_PD_X_t * CPIH_t / CPIH_{tpb} '.																																										

			Paragraph 4.46 would then need to be amended to 'For the purposes of this Annex, in each Regulatory Reporting year t and for each RAB_X, the additional allowed Capex (ACDR_PD_Xt) is the sum of:
D26	Para 4.46a)	Amendment of Text	Remove the space between the 'sub' and 'station' in the top row and change the word 'station' in the last row to 'substation' so that it reads 'primary substation load growth'.
D27	Para 4.46b)	Amendment and inclusion of Text	Remove the space between the 'sub' and 'station' in the top row and include the word 'power' before flow so that it reads 'primary substation reverse power flow'. The last row should also read 'primary substation reverse power flow'. A new category of capex should also be included within the additional allowed capex re-opener mechanism for ' Forward Power Flow '.
D28	Para 4.46c)	Removal of Text	Remove the word ' for ' in the last row so that it reads 'in respect of the net zero reopener'
D29	Para 4.46e)	Amendment of Text	Change the words 'development a capacity of' at the bottom of the paragraph to ' development of capacity on etc.. '.
D30	Para 4.46j)	Amendment of Text	Please amend the text within paragraph 4.46j) in relation to injurious affection to the following ' the allowed capex (if any) amount in Regulatory Reporting year t, for injurious affection, being an amount that the Authority determines in a published decision to be appropriate for the Licensee to recover in that Regulatory Reporting Year in respect of injurious affection claims '. Our rationale for the change in text being that we understand the arrangements in RP7 are intended to operate as they did in RP6. These allowances will not be 'additional' or 'incremental' but will be determined on an individual basis.
D31	Para 4.46k)	Amend Paragraph Reference	Amend the paragraph reference from 6.16 to 4.50 .
D32	Para 4.47e)	Amendment of Text	Remove the space between 'sub' and 'station' in the top row.
D33	Para 4.47f)	Amendment of Text	Amend the text in para 4.47f) to reflect the scope of the reopener which is outlined in Table 4.2 of Annex S ' the determination of an additional allowance for primary substation reverse power flow will only be determined where the company expects to incur additional expenditure above the ex-ante allowance plus materiality threshold due to, (a) actual or forecast generation growth exceeding the 'best view' scenario or (b) whole system solution investment where there is a strong case to invest '.
D34	Para 4.47g)	Inclusion of Text	The materiality threshold of £800,000 is repeated across each capex and opex paragraphs (i.e. paragraphs 4.47 and 6.15), and in both the Distribution and Transmission Licences. Our concern is that this could imply that in the case of potentially eligible costs that includes capex and opex, and/or takes place at a distribution and transmission level, the threshold of £800k would need to be breached across opex and capex separately, and/or across the Distribution and Transmission Businesses separately, before any additional allowances would become eligible for consideration by the UR in each separate area of capex or opex, and for the

			<p>Distribution or Transmission Business.</p> <p>We do not believe this is the UR's intention. For example, at paragraph 4.68 of Annex S of the FD the discussion regarding the materiality threshold states an exposure to NIE of £0.4m, thanks to the 50/50 cost-risk sharing mechanism.</p> <p>This leads us to conclude that the £800,000 threshold is intended to be applicable in aggregate for all work as a result of change in Net Zero legislation, even if the costs includes opex and capex and/or apply at a Transmission and Distribution level. It would be helpful if additional wording could be added to the Licence to reflect this. It may be as straightforward as adding the words 'in aggregate' after the monetary amount i.e. '£800,000 in aggregate'.</p>
D35	Para 4.47h)	Amendment of Text	<p>We would request that the wording within paragraph 4.47h) be amended. Annex N states that costs can be requested retrospectively but the current wording infers that retrospective costs may possibly not be allowed. Suggested wording is as follows:</p> <p>h) an allowance may only be determined in respect of trials undertaken to assess and demonstrate innovative future investment in the distribution system. These will be determined by the Authority after year 1 (August 2026), year 3 (August 2028) and year 5 (August 2030) of the RP7 price control, in respect of submissions made by the Licensee in these prescribed months;</p>
D36	Para 4.51	Amend Paragraph References	Amend the paragraph references from '4.56 to 4.60' to ' 4.52 to 4.55 '
D37	Para 4.51	Inclusion of Text	<p>The materiality threshold of £125,000 for the changes of law term is repeated across each capex and opex paragraph (i.e. paragraphs 4.51 and 6.17), and in both the Distribution and Transmission Licences. Our concern is that this could imply that in the case of a potentially eligible event that includes capex and opex, and/or takes place at a Distribution and Transmission level, the threshold of £125k would need to be breached across opex and capex separately, and/or across the Distribution and Transmission Businesses separately, before any additional allowances would become eligible for consideration by the UR.</p> <p>We do not believe that this is the UR's intention and would recommend that the words 'in aggregate' are included within the paragraph after the 'monetary amount' i.e. 'subject to a threshold of £125,000 in aggregate for any one event....'</p>
D38	Para 4.52	Amend Paragraph Reference	Amend the paragraph reference 4.56 to ' 4.51 '.
D39	Para 4.53 and Para 4.54	Amend Paragraph Reference	Amend the paragraph reference 4.56 to ' 4.52 '.
D40	Para 4.57	Amend Paragraph Reference	In the definition of DEPADD_X _t , amend the paragraph reference from 4.24 to ' 4.26 '.

Modifications to Annex 2, Section 6 – The Opex Amount

Reference Number	Final Licence Paragraph	Purpose / Reason	Modification																					
D41	Para 6.7	Removal of Text	Remove the words ' and for each RAB_X ' within the OCSAt term as these are opex costs and would not go into a RAB.																					
D42	Para 6.13	Amend Paragraph References	Amend the paragraph reference within the AO_FD _t term from 6.13 to ' 6.15 ' and amended the paragraph reference in the ORPEF _t term from 6.21 to ' 6.22 '.																					
D43	Para 6.13	Amendment to Table 10	<p>Following discussions with the UR, Table 10 should be amended as follows to reallocate allowances between capex and opex:</p> <table border="1"> <thead> <tr> <th>Year</th> <th>t=2026</th> <th>t=2027</th> <th>t=2028</th> <th>t=2029</th> <th>t=2030</th> <th>t=2031</th> </tr> </thead> <tbody> <tr> <td>AO_FD (Original)</td> <td>58.208</td> <td>57.507</td> <td>51.890</td> <td>52.344</td> <td>52.756</td> <td>52.846</td> </tr> <tr> <td>AO_FD (Revised)</td> <td>59.079</td> <td>58.394</td> <td>51.128</td> <td>51.440</td> <td>51.852</td> <td>51.944</td> </tr> </tbody> </table>	Year	t=2026	t=2027	t=2028	t=2029	t=2030	t=2031	AO_FD (Original)	58.208	57.507	51.890	52.344	52.756	52.846	AO_FD (Revised)	59.079	58.394	51.128	51.440	51.852	51.944
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AO_FD (Revised)	59.079	58.394	51.128	51.440	51.852	51.944																		
D44	Para 6.15	Amend Formula	<p>The current formula for $AOO_{X_t} = AOO_{X_t} * CPIH_t / CPIH_{tpb}$ does not work as it currently stands. This needs to be amended and a new term included. The formula could be '$AOO_t = AOO_{PDt} * CPIH_t / CPIH_{tpb}$'.</p> <p>Paragraph 6.15 would then need to be amended to 'For the purposes of this Annex, in each Regulatory Reporting year t, the allowed opex other amount '(AOO_{PDt}) shall be the sum 'of':</p>																					
D45	Para 6.15	Removal of Paragraph Reference	Remove the paragraph reference ' 6.15 ' before the formula as this is not required.																					
D46	Para 6.15b)	Amendment of Text	Change the words within paragraph 6.15b) 'development a capacity of' to ' development of capacity on '.																					
D47	Para 6.15g)	Amendment of Text	<p>Please amend the text within paragraph 6.15g) in relation to injurious affection to the following 'the allowed opex (if any) amount in Regulatory Reporting year t, for injurious affection, being an amount that the Authority determines in a published decision to be appropriate for the Licensee to recover in that Regulatory Reporting Year in respect of injurious affection claims'. Our rationale for the change in text being that we understand the arrangements in RP7 are intended to operate as they did in RP6. These allowances will not be 'additional' or 'incremental' but will be determined on an individual basis.</p>																					
D48	Para 6.15h)	Amend Paragraph Reference	Amend the paragraph reference within 6.15h) from 6.16 to ' 6.17 '.																					

D49	Para 6.15	Insert Paragraph Reference	The UR may wish to consider including a new paragraph reference before the words 'The value of AOO_Xt (now AOO_PDt) in each Regulatory Reporting Year t...etc'. This may however affect other paragraph references in the document. The alternative could perhaps be to call it 6.15A?
D50	Para 6.15e)	Amendment of Text	<p>The materiality threshold of £800,000 is repeated across each capex and opex paragraphs (i.e. paragraphs 4.47 and 6.15), and in both the Distribution and Transmission Licences. Our concern is that this could imply that in the case of potentially eligible costs that includes capex and opex, and/or takes place at a distribution and transmission level, the threshold of £800k would need to be breached across opex and capex separately, and/or across the Distribution and Transmission Businesses separately, before any additional allowances would become eligible for consideration by the UR in each separate area of capex or opex, and for the Distribution or Transmission Business.</p> <p>We do not believe this is the UR's intention. For example, at paragraph 4.68 of Annex S of the FD the discussion regarding the materiality threshold states an exposure to NIE of £0.4m, thanks to the 50/50 cost-risk sharing mechanism.</p> <p>This leads us to conclude that the £800,000 threshold is intended to be applicable in aggregate for all work as a result of change in Net Zero legislation, even if the costs includes opex and capex and/or apply at a Transmission and Distribution level. It would be helpful if additional wording could be added to the Licence to reflect this. It may be as straightforward as adding the words 'in aggregate' after the monetary amount i.e. '£800,000 in aggregate'.</p>
D51	Para 6.15f)	Amendment of Text	<p>We would request that the wording within paragraph 6.15f) be amended. Annex N states that costs can be requested retrospectively but the current wording infers that retrospective costs may possibly not be allowed. Suggested wording is as follows:</p> <p>f) an allowance may only be determined in respect of trials undertaken to assess and demonstrate innovative future investment in the distribution system. These will be determined by the Authority after year 1 (August 2026), year 3 (August 2028) and year 5 (August 2030) of the RP7 price control, in respect of submissions made by the Licensee in these prescribed months;</p>
D52	Para 6.17	Inclusion of Text	The materiality threshold of £125,000 for the changes of law term is repeated across each capex and opex paragraph (i.e. paragraphs 4.51 and 6.17), and in both the Distribution and Transmission Licences. Our concern is that this could imply that in the case of a potentially eligible event that includes capex and opex, and/or takes place at a Distribution and Transmission level, the threshold of £125k would need to be breached across opex and capex separately, and/or across the Distribution and Transmission Businesses separately, before any additional allowances would become eligible for consideration by the UR.

			We do not believe that this is the UR's intention and would recommend that the words ' in aggregate ' are included within the paragraph after the 'monetary amount' i.e. ' subject to a threshold of £125,000 in aggregate for any one event.... '
D53	Para 6.21	Change to Paragraph Reference	Change the paragraph reference for 'The opex real price effect and productivity factor (ORPEPft)' section from 6.21 to ' 6.22 ' as it currently has the same reference as the paragraph above it.

Modifications to Annex 2, Section 7 – The Pension Deficit Amount

Reference Number	Final Licence Paragraph	Purpose / Reason	Modification
D54	Para 7.1	Remove Duplication	Remove the words ' specified in ' within the P_FD _t term as these are duplicated.

Modifications to Annex 2, Section 9 – The Tax Amount

Reference Number	Final Licence Paragraph	Purpose / Reason	Modification
D55	Para 9.1	Amend Paragraph Reference	Amend the paragraph reference within the DEP _t term from 4.61 to ' 4.57 '.
D56	Para 9.1	Reference Amendments	The references within the CA _t term need to change from 'ii, iii and iv' to ' i, ii and iii ' to reflect those within the CI_X _t term.
D57	Para 9.1	Reference Amendments	Change the text within the CI_X _t point iii. term from 'subject to i, ii, and iii above and vi below' to ' subject to i and ii above and iv and v below '.

Modifications to Annex 2, Section 12 - Distribution Charge Restriction Conditions

Reference Number	Final Licence Paragraph	Purpose / Reason	Modification
D58	Para 12.4g) i	Reference Amendment	The reference to RP7 should change to RP8 . The paragraph would then read 'a forecast of network investment for the RP8 price control...'
D59	Para 12.4g) ii	Amend Paragraph Reference	The paragraph reference needs amended from 12.25 to ' 12.26 '.
D60	Para 12.4g) iii	Text Amendment	The text 'volumes in accordance with paragraph 12.28; and' should be removed and a third bullet point '12.4 g) iii needs to be included as follows: ' Information on outturn RP7 projects and volumes, and planned RP7 projects and volumes in accordance with paragraph 12.29; and '
D61	Para 12.4h)	Amend Paragraph Reference	Change the paragraph reference from 12.31 to ' 12.32 '.
D62	Para 12.7	Update to time period	We are unsure why this has changed from 14 days to 5 months, however we would propose to revert back to 14 days as this is a more appropriate timeline and would allow for unexpected events.
D63	Para 12.27	Redundant Text	Remove the word ' basis ' from the first line of the paragraph as this is not required.
D64	Para 12.36	Amend Paragraph References	The paragraph references for 13.35a) and 13.35d) should be changed to 12.35a) and 12.35d) respectively.
D65	Paras 12.39 to 12.41	Amendment of Text	To align with other reporting requirements, i.e. The Evaluative Performance Framework and CSRD Reporting we would ask the UR to consider changing the reference from 'preceding regulatory year' to ' preceding calendar year ' for the Annual Environmental Report licence requirement. If the change requested above is not implemented, the reference to 'Regulatory Year' should be updated to ' Regulatory Reporting Year ' to reflect the relevant time period.

Comments on Annex C Transmission Licence Annex 2

Modifications to Annex 2, Section 1 - Definitions

Reference Number	Final Licence Paragraph	Purpose / Reason	Modification
T1	Definitions	Adjust for the relevant price control periods	Change the text in the 'RP7' definition from 'means the period commencing on 1 March 2025 and ending on...' to 'means the period commencing on 1 April 2025 and ending on...'
T2	Definitions	Correction of Text	Change the bullet numbering within the "Relevant change of law" definition from e), f) and g) to ' a), b) and c) '.

Modifications to Annex 2, Section 3 -The Maximum Regulated Transmission Revenue

Reference Number	Final Licence Paragraph	Purpose / Reason	Modification
T3	Para 3.5	Amend Paragraph Reference	Change the paragraph reference in the definition of the DEP_t term from paragraph 3.4 to paragraph ' 4 '.

Modifications to Annex 2, Section 4 -The Regulatory Asset Base

Reference Number	Final Licence Paragraph	Purpose / Reason	Modification
T4	Para 4.6	Correction of Formula	The opening value of existing assets formula needs to be revised from ' $OE_{X_{2026}} = CE_{X_{2025}} + CADD_{X_{2025}} * CPIH_t / CPIH_{t-1}$ ' to ' $OE_{X_{2026}} = CE_{X_{2025}} + CADD_{X_{2025}} * CPIH_{2026} / CPIH_{2025}$ ' to reflect the opening value at the beginning of the RP7 reporting period, i.e. 2025/26.
T5	Para 4.6	Amendment and inclusion of Text	Replace 'XX XXXXX 2025' within the CE_{X_t} definition with ' the 31 March 2025 ' and include the following text ' within the RP6 Financial Model including conversion to CPIH '.
T6	Para 4.6	Inclusion of Text	Also include the following words at the end of the $CE_{X_{2025}}$ formula definition ' which for the Transmission RAB will include the old N/S Interconnector RAB amount '. This is to acknowledge the movement in value from the old N/S Interconnector RAB into the Transmission RAB.
T7	Para 4.9	Amend Paragraph Reference	Amend the paragraph reference in the OE_{X_t} term from 4.6 to ' 4.6 & 4.7 '.

T8	Para 4.11	Correction of Formula	Change the formula for the fixed depreciation amount from 'FDEP _{Xt} = (FDEP _{RP7} _{Xt}) * CPIH _t /CPIH _{t^{pb}} ' to 'FDEP _{Xt} = (FDEP _{RP6} _{Xt}) * CPIH _t /CPIH ₂₀₂₅ ' as these values will come from the RP6 model and will be in 2024/25 prices.																					
T9	Para 4.11	Change to the Definition Term	The definition term 'FDEP _{RP7} _{Xt} ' should change to 'FDEP _{RP6} _{Xt} '.																					
T10	Para 4.11	Inclusion of Text	Include the following words to reference the price base in the FDEP _{RP6} _{Xt} definition, 'FDEP _{RP6} _{Xt} is, for each RAB _X , the fixed depreciation amount in 2024/25 prices in Regulatory Reporting Year t, etc...'																					
T11	Para 4.11	Inclusion of Text	Include the following words at the end of the FDEP _{RP6} _{Xt} formula definition. ' which for the Transmission RAB will include the old N/S Interconnector RAB amount '. This is to acknowledge the movement in value from the old N/S Interconnector RAB into the Transmission RAB.																					
T12	Para 4.21b)	Adjustment to Definition	The definition of the CCSA _{Xt} term for the shared asset capex amount needs to be amended as follows ' means the capex connections shared asset amount in Regulatory Reporting Year t and for each RAB _X being the amount that the Authority determines, in a published decision, to be appropriate in respect of Shared Asset Charges payable by the ' Transmission ' Business for the connection of the ' Transmission ' System to that part of the transmission system that has been funded by a third party pursuant to a connection agreement entered into between that third party and the Transmission System Operator'.																					
T13	Para 4.33	Correction of Formula	The formula for the allowed capex Transmission RAB should be amended from 'AC _{TNT} = (AC _{FD} _{TNT} * CPIH _t / CPIH _{tbo}) * CRPEPF _t ' to 'AC _{TNT} = (AC _{FD} _{TNT} * CPIH _t / CPIH _{t^{pb}}) * CRPEPF _t '																					
T14	Para 4.33	Amendment of Formula Term	The formula term 'AC _{FN} _{TNT} _t ' term needs to be amended to ' AC_{FD}_{TNT}_t ', to align with the overall formula for allowed capex.																					
T15	Para 4.33	Amend Paragraph Reference	Change the paragraph reference in the 'AC _{FN} _{TNT} ' term from paragraph 4.48 to paragraph ' 4.40 '.																					
T16	Para 4.33	Updates to table 3	Update the heading for Table 3 to 'The Transmission Business allowed capex determined amount for ' AC_{FD}_{TN} ' for each Regulatory Reporting Year t' and change the reference in table 3 from RAB _{FD} _{TN} to ' AC_{FD}_{TN} '.																					
T17	Para 4.33	Amendment to Table 3	Following discussions with the UR Table 3 should be amended as follows to reallocate allowances between capex and opex: <table border="1" data-bbox="1064 1220 2078 1337"> <thead> <tr> <th>Year</th> <th>t=2026</th> <th>t=2027</th> <th>t=2028</th> <th>t=2029</th> <th>t=2030</th> <th>t=2031</th> </tr> </thead> <tbody> <tr> <td>RAB_{FD}_{TN} (Original)</td> <td>18.460</td> <td>19.420</td> <td>23.971</td> <td>23.382</td> <td>21.636</td> <td>21.634</td> </tr> <tr> <td>AC_{FD}_{TN} (Revised)</td> <td>18.460</td> <td>19.420</td> <td>24.278</td> <td>23.690</td> <td>21.929</td> <td>21.927</td> </tr> </tbody> </table>	Year	t=2026	t=2027	t=2028	t=2029	t=2030	t=2031	RAB _{FD} _{TN} (Original)	18.460	19.420	23.971	23.382	21.636	21.634	AC _{FD} _{TN} (Revised)	18.460	19.420	24.278	23.690	21.929	21.927
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T18	Para 4.35	Amend Paragraph and Table References	Change the paragraph reference in the definition of the AC_FD_RN _t term from paragraph 4.48 to paragraph '4.40' and change the table reference from Table 3 to Table '4'.
T19	Para 4.35	Updates to table 4	Update the heading for Table 4 to 'The Transmission Business allowed capex determined amount for AC_FD_RN for each Regulatory Reporting Year t' and change the reference in table 4 from RAB_FD_RN to 'AC_FD_RN'.
T20	Para 4.37	Amendment to Formula	Amend the formula 'AC_T5Y _t = (AC_FD_TY5 _t * CPIH _t / CPIH _{tpb}) * CRPEPF _t ' to 'AC_T5Y _t = (AC_FD_T5Y _t * CPIH _t / CPIH _{tpb}) * CRPEPF _t '.
T21	Para 4.37	Correction of Formula Term	Amend the formula term 'AC_T5Y _t ' to 'AC_FD_T5Y _t ' to align with the overall formula.
T22	Para 4.37	Amend Paragraph and Table References	Change the paragraph reference within the 'AC_T5Y _t ' term from paragraph 4.48 to paragraph '4.40' and amend the table reference from Table 3 to 'Table 5'.
T23	Para 4.37	Updates to table 5	Update the heading for table 5 to 'The Transmission Business allowed capex determined amount for AC_FD_T5Y for each Regulatory Reporting Year t' and change the reference in table 5 from RAB_FD_T5Y to 'AC_FD_T5Y'.
T24	Para 4.39	Amendment to Formula	The current formula for ACTR_X _t = ACTR_X _t * CPIH _t / CPIH _{tpb} does not work as it currently stands. This needs to be amended and a new term included. The formula could be ' ACTR_X_t = ACTR_PD_X_t * CPIH_t / CPIH_{tpb} ' Paragraph 4.40 would then need to be amended to 'For the purposes of this Annex, in each Regulatory Reporting year t and for each RAB_X, the additional allowed Capex (ACTR_PD_X_t) is the sum of:
T25	Para 4.40a)	Redundant Text	Remove the word 'for' in the last line of the paragraph.
T26	Para 4.40c)	Amendment of Text	Change the words 'development a capacity of' to ' development of capacity on '.
T27	Para 4.40f)	Amendment of Text	Change the words 'transmission system capacity or capability' to ' large scale asset replacement '.
T28	Para 4.40h)	Amendment of text	Please amend the text within paragraph 4.40h) in relation to injurious affection to the following ' the allowed capex (if any) amount in Regulatory Reporting year t, for injurious affection, being an amount that the Authority determines in a published decision to be appropriate for the Licensee to recover in that Regulatory Reporting Year in respect of injurious affection claims '. Our rationale for the change in text being that we understand the arrangements in RP7 are intended to operate as they did in RP6. The allowances will not be 'additional' or 'incremental' but will be determined on an individual basis.
T29	Para 4.40i)	Amend Paragraph Reference	Change the paragraph reference from paragraph 6.16 to paragraph '4.45'.
T30	Para 4.41e)	Amendment of text	The materiality threshold of £800,000 is repeated across each capex and opex paragraphs (i.e. paragraphs 4.41 and 6.15), and in both the Distribution and Transmission Licences. Our concern is that this could imply that in the case of potentially eligible costs that includes capex and opex, and/or takes place at a distribution and transmission level, the threshold of £800k would need

			<p>to be breached across opex and capex separately, and/or across the Distribution and Transmission Businesses separately, before any additional allowances would become eligible for consideration by the UR in each separate area of capex or opex, and for the Distribution or Transmission Business.</p> <p>We do not believe this is the UR's intention. For example, at paragraph 4.68 of Annex S of the FD the discussion regarding the materiality threshold states an exposure to NIE of £0.4m, thanks to the 50/50 cost-risk sharing mechanism.</p> <p>This leads us to conclude that the £800,000 threshold is intended to be applicable in aggregate for all work as a result of change in Net Zero legislation, even if the costs includes opex and capex and/or apply at a Transmission and Distribution level. It would be helpful if additional wording could be added to the Licence to reflect this. It may be as straightforward as adding the words 'in aggregate' after the monetary amount i.e. '£800,000 in aggregate'.</p>
T31	Para 4.41f)	Amendment of Text	<p>We would request that the wording within paragraph 4.41f) be amended. Annex N states that costs can be requested retrospectively but the current wording infers that retrospective costs may possibly not be allowed. Suggested wording is as follows:</p> <p>f) an allowance may only be determined in respect of trials undertaken to assess and demonstrate innovative future investment in the transmission system. These will be determined by the Authority after year 1 (August 2026), year 3 (August 2028) and year 5 (August 2030) of the RP7 price control, in respect of submissions made by the Licensee in these prescribed months;</p>
T32	Para 4.41h)	Text Query	<p>Are the words 'for the purposes of increasing the capacity or capability of the transmission system' correct in the context of large-scale asset replacement. This could be interpreted as precluding large scale asset replacement and seems to be at odds with paragraph 4.41i).</p>
T33	Para 4.43	Amend Table Reference	<p>Amend the table reference from Table 5 to 'Table 6'.</p>
T34	Para 4.45	Amendment of Text	<p>The materiality threshold of £125,000 for the changes of law term is repeated across each capex and opex paragraph (i.e. paragraphs 4.45 and 6.17), and in both the Distribution and Transmission Licences. Our concern is that this could imply that in the case of a potentially eligible event that includes capex and opex, and/or takes place at a Distribution and Transmission level, the threshold of £125k would need to be breached across opex and capex separately, and/or across the Distribution and Transmission Businesses separately, before any additional allowances would become eligible for consideration by the UR.</p> <p>We do not believe that this is the UR's intention and would recommend that the words 'in aggregate' are included within the paragraph after the 'monetary amount' i.e. 'subject to a threshold of £125,000 in aggregate for any one event....'</p>
			<p>subject to a threshold of £125,000 in aggregate for any one event....</p>

Modifications to Annex 2, Section 6 - The Opex Amount

Reference Number	Final Licence Paragraph	Purpose / Reason	Modification																					
T35	Para 6.7	Removal of Text	Remove the words ' and for each RAB_X ' as these are opex costs and would not go into a RAB.																					
T36	Para 6.7	Adjustment to Definition	The definition of the OCSAt term for the share asset opex amount needs to be amended as follows: ' means the opex connections shared asset amount in Regulatory Reporting Year t being the amount that the Authority determines, in a published decision, to be appropriate in respect of Shared Asset Charges payable by the ' Transmission ' Business for the connection of the ' Transmission ' System to that part of the transmission system that has been funded by a third party pursuant to a connection agreement entered into between that third party and the Transmission System Operator.																					
T37	Para 6.13	Amendment to Table 7	Following discussions with the UR Table 7 should be amended as follows to reallocate allowances between capex and opex: <table border="1" data-bbox="1064 746 2107 863"> <thead> <tr> <th>Year</th> <th>t=2026</th> <th>t=2027</th> <th>t=2028</th> <th>t=2029</th> <th>t=2030</th> <th>t=2031</th> </tr> </thead> <tbody> <tr> <td>AO_FD (Original)</td> <td>5.652</td> <td>5.492</td> <td>4.740</td> <td>4.659</td> <td>4.694</td> <td>4.704</td> </tr> <tr> <td>AO_FD (Revised)</td> <td>5.652</td> <td>5.492</td> <td>4.432</td> <td>4.350</td> <td>4.400</td> <td>4.411</td> </tr> </tbody> </table>	Year	t=2026	t=2027	t=2028	t=2029	t=2030	t=2031	AO_FD (Original)	5.652	5.492	4.740	4.659	4.694	4.704	AO_FD (Revised)	5.652	5.492	4.432	4.350	4.400	4.411
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AO_FD (Revised)	5.652	5.492	4.432	4.350	4.400	4.411																		
T38	Para 6.15	Amendment to Formula	The current formula for $AOO_X_t = AOO_Xt * CPIHt / CPIHtpb$ does not work as it currently stands. This needs to be amended and a new term included. The formula could be ' AOOt = AOO_PDt * CPIHt / CPIHtpb ' where AOO_PDt is the sum of the items listed in paragraph 6.15 in 21/22 prices. Paragraph 6.15 would then need to be amended to 'For the purposes of this Annex, in each Regulatory Reporting year t, the allowed opex other amount ' (AOO_PDt) ' is be the sum 'of':																					
T39	Para 6.15b), c), e), f) and g)	Changes to the text within the definitions	Change the word 'capex' to ' opex ' within the various allowed opex other amount definitions - 6.15b), 6.15c), 6.15e), 6.15f) and 6.15g).																					
T40	Para 6.15c)	Amendment of Text	Change the words 'development a capacity of' to ' development of capacity on '.																					

T41	Para 6.15d)	Changes to the text within the definitions	Change the word 'distribution' to ' transmission ', in both places of the allowed opex other amount definition 6.15d).
T42	Para 6.15f	Amendment of Text	Please amend the text within paragraph 6.15f) in relation to injurious affection to the following ' the allowed opex (if any) amount in Regulatory Reporting year t, for injurious affection, being an amount that the Authority determines in a published decision to be appropriate for the Licensee to recover in that Regulatory Reporting Year in respect of injurious affection claims '. Our rationale for the change in text being that we understand the arrangements in RP7 are intended to operate as they did in RP6. The allowances will not be 'additional' or 'incremental' but will be determined on an individual basis.
T43	Para 6.15g	Inclusion of Text	Include the words 'of law' after relevant change so that it reads ' relevant change of law in accordance with etc...
T44	Para 6.15g	Amend Paragraph Reference	Change the paragraph reference in paragraph 6.15g) from 6.16 to ' 6.17 '.
T45	Para 6.15	Insert Paragraph Reference	The UR may wish to consider including a new paragraph reference before the words 'The value of AOOt (now AOO_PDt) in each Regulatory Reporting Year t...etc'. This may however affect other paragraph references in the document. The alternative could perhaps be to call it 6.15A ?
T46	Para 6.15e)	Amendment of Text	<p>The materiality threshold of £800,000 is repeated across each capex and opex paragraphs (i.e. paragraphs 4.41 and 6.15), and in both the Distribution and Transmission Licences. Our concern is that this could imply that in the case of potentially eligible costs that includes capex and opex, and/or takes place at a distribution and transmission level, the threshold of £800k would need to be breached across opex and capex separately, and/or across the Distribution and Transmission Businesses separately, before any additional allowances would become eligible for consideration by the UR in each separate area of capex or opex, and for the Distribution or Transmission Business.</p> <p>We do not believe this is the UR's intention. For example, at paragraph 4.68 of Annex S of the FD the discussion regarding the materiality threshold states an exposure to NIE of £0.4m, thanks to the 50/50 cost-risk sharing mechanism.</p> <p>This leads us to conclude that the £800,000 threshold is intended to be applicable in aggregate for all work as a result of change in Net Zero legislation, even if the costs includes opex and capex and/or apply at a Transmission and Distribution level. It would be helpful if additional wording could be added to the Licence to reflect this. It may be as straightforward as adding the words 'in aggregate' after the monetary amount i.e. '£800,000 in aggregate'.</p>
T47	Para 6.15f)	Amendment of text	We would request that the wording within paragraph 6.15f) be amended. Annex N states that costs can be requested retrospectively but the current wording infers that retrospective costs may possibly not be allowed. Suggested wording is as follows:

			f) an allowance may only be determined in respect of trials undertaken to assess and demonstrate innovative future investment in the transmission system. These will be determined by the Authority after year 1 (August 2026), year 3 (August 2028) and year 5 (August 2030) of the RP7 price control, in respect of submissions made by the Licensee in these prescribed months;
T48	Para 6.17	Amendment of Text	<p>The materiality threshold of £125,000 for the changes of law term is repeated across each capex and opex paragraph (i.e. paragraphs 4.45 and 6.17), and in both the Distribution and Transmission Licences. Our concern is that this could imply that in the case of a potentially eligible event that includes capex and opex, and/or takes place at a Distribution and Transmission level, the threshold of £125k would need to be breached across opex and capex separately, and/or across the Distribution and Transmission Businesses separately, before any additional allowances would become eligible for consideration by the UR.</p> <p>We do not believe that this is the UR's intention and would recommend that the words 'in aggregate' are included within the paragraph after the 'monetary amount' i.e. 'subject to a threshold of £125,000 in aggregate for any one event....'</p>
T49	Para 6.23	Amend Table Reference	Amend the table reference in paragraph 6.23 from Table 7 to Table 8

Modifications to Annex 2, Section 7 - The Pension Deficit Amount

Reference Number	Final Licence Paragraph	Purpose / Reason	Modification
T50	Para 7.1	Remove duplication	Remove the words ' specified in ' within the P_FD _t term as these are duplicated.

Modifications to Annex 2, Section 9 - The Tax Amount

Reference Number	Final Licence Paragraph	Purpose / Reason	Modification
T51	Para 9.1	Removal of Text	Remove ' 9.1 ' from point i. of the CA _t term.
T52	Para 9.1	Reference Amendments	Change the text within the CI_Xt iii. term from 'subject to i,ii, and iii above and vi below' to ' subject to i and ii above and iv and v below '.

Modifications to Annex 2, Section 12 - Transmission Charge Restriction Conditions

Reference Number	Final Licence Paragraph	Purpose / Reason	Modification
T53	Para 12.4e)	Amend Paragraph Reference	Change the paragraph reference from 12.20 to '12.19' .
T54	Para 12.4g) i	Reference Amendments	The reference to RP7 should change to RP8 to reflect the next price control period and amend the paragraph reference from 12.25 to '12.24' .
T55	Para 12.4g) iii	Change in text	Change the text in 12.4g) iii from 'information on outturn RP6 projects and volumes, and planned RP6 projects and' to 'information on outturn RP7 projects and volumes, and planned RP7 projects and volumes in accordance with paragraph 12.29' .
T56	Para 12.4g) iv	Redundant Text	Paragraph 12.4g) iv is not required and can be removed.
T57	Para 12.27	Redundant Text	Remove the word 'basis' from the first line of the paragraph as this is not required.
T58	Paras 12.39 to 12.41	Amendment of text	<p>To align with other reporting requirements, i.e. The Evaluative Performance Framework and CSRD Reporting we would ask the UR to consider changing the reference from 'preceding regulatory year' to 'preceding calendar year' for the Annual Environmental Report licence requirement.</p> <p>If the change requested above is not implemented, the reference to 'Regulatory Year' should be updated to 'Regulatory Reporting Year' to reflect the relevant time period.</p>



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