

GT SECTOR	
REFERENCE NUMBER:	CATEGORY:
LICENCE CONDITION NUMBER: <i>(if relevant):</i>	SpC 3.15
TITLE:	Arrangements for the recovery of uncertain costs
RELEVANT LICENCE CONSULTATION QUESTIONS <i>(if any):</i>	
RELEVANT ISSUES LOG:	3.15 – 5E – Recovery of uncertain costs
POLICY ISSUES	
<ul style="list-style-type: none"> Treatment of logged up costs not meeting the materiality threshold 	<ul style="list-style-type: none"> In the issue log relevant to this condition we stated: <i>We propose that an end of RIIO-2 period close out mechanism is required that shall allow for upward adjustment of allowances in respect of costs efficiently incurred irrespective of whether the reopener materiality thresholds have been reached or whether prior reopener applications have been made. This is to ensure NGGT is held whole for relevant costs legitimately incurred and "logged up" outside its control. This is consistent with existing RIIO-1 practice.</i> <p>Ofgem responded: <i>Agree with comment. Intend to include both Q&L and diversions within scope of closeout and will true-up efficiently incurred costs. Suggest this is stated as part of Final Determinations rather than through the licence.</i></p> <p>Our view is that this agreed approach should be reflected in the drafting of this condition.</p>
DRAFTING ISSUES	
<ul style="list-style-type: none"> Headings 3.15.4 Cross references 3.15.6(c) 	<ul style="list-style-type: none"> Headings should be framed as statements not questions. Part A heading should read “Costs within scope of this reopener” and Part E heading should read “Authority process in making a direction” In 3.15.4(b) the text beginning “for any...” should be dropped down as it applies to both a and b In 3.15.5, 3.15.6, 3.15.7, 3.15.8 and 3.15.8 cross references should be to relevant paragraphs of 3.15 not 3.17 Add “;and” at the end of this sub paragraph
FINANCE ISSUES	

SUPPORTING INFORMATION	
OFGEM ENGAGEMENT:	