

To: Gas Transmission Network
Operator; interested
stakeholders

Email: neil.munro@ofgem.gov.uk

Date: 14 December 2021

Dear Company Secretaries and stakeholders,

Consultation on Regulatory Instructions and Guidance (RIGs) and Regulatory Reporting Pack (RRP) to apply during RIIO-GT2

The purpose of this consultation is to seek views on the proposed modifications to the RIGs and RRP data templates¹ for National Grid Gas plc (NGGT) as the sole network operator in the Gas Transmission (GT) sector. The RIGs, and RRP, are the principal means by which we collect cost, volume, allowed expenditure and output delivery information from NGGT to monitor performance against their price control objectives and hold it to account for delivery of its outputs. The draft RIGs (Version 1.12) and draft RRP (Version 1.12) are published alongside this letter.²

Introduction

In 2019, we published data templates and associated instructions and guidance for use by NGGT to enable them to complete the business plan submission for the RIIO-GT2 price control. The data and accompanying explanation received through the templates was subject to review and assessment and formed the basis of the allowances and outputs we set at RIIO-GT2 Final Determinations³.

In our Final Determinations in December 2020, we noted the work NGGT had undertaken to provide cost data in support of our assessment of its business plan and recognised the positive engagement NGGT had shown during the process. However, we recognised there was further to go, and noted our intention to engage constructively with NGGT to develop ongoing reporting in RIIO-2⁴ to include well defined intervention types, asset data and cost drivers.

¹ The draft data template contains the Cost & Volume RRP data worksheets as well as worksheets for the collection of GT2 Revenue information used to update values in the Price Control Financial Model (PCFM). A separate guidance document is available for the data input requirement for the revenue worksheets:

<https://www.ofgem.gov.uk/publications/riio-2-pcfm-guidance>, however, the pack has been built on the basis that much of the data will be populated from worksheets in the cost and volume RRP and therefore where possible the revenue sheets have been linked. In this document we are seeking views on whether these links are suitable for use as inputs to the PCFM revenue tables.

² A change log is not provided as this is first reporting pack produced for the RIIO-GT2 period.

³ <https://www.ofgem.gov.uk/publications/riio-2-final-determinations-transmission-and-gas-distribution-network-companies-and-electricity-system-operator>

⁴ RIIO-2 Final Determinations – NGGT Annex (REVISED), p68, 3.109.

https://www.ofgem.gov.uk/sites/default/files/docs/2021/02/final_determinations_-_nggt_annex_revised.pdf

Through subsequent bilateral engagement we have developed a revised set of data templates and RIGs for the purpose of annual reporting in RIIO-GT2. We have designed and structured the RRP data templates to be an evolved version of the Business Plan Data Template (BPDT).

We have also aimed to incorporate linkages within the RRP to reduce duplicated data entries and to improve transparency in areas of cost reporting, to better reflect the structure of the funding provision within the Final Determinations and RIIO-GT2 framework.

We are consulting on the draft RIGs and RRP data templates, which we believe represent a pragmatic set of reporting requirements for NGGT to use when submitting annual information during the RIIO-GT2 price control period. We seek stakeholder comments on the form and content of the RIGs and how we intend to monitor performance over the RIIO-GT2 period.

An overarching change to the RRP process that we have proposed is to request that network companies supply all cost data (unless otherwise stated in the RIGs) in a 2018/2019 price base. The rationale for this change to:

- Ensure the RRP and Price Control Financial Model (PCFM) are aligned to minimise the need for rebasing that is currently needed to ensure input data is in a consistent format for the Annual Iteration process;
- Simplify and speed up the process of creating a RRP containing all price control data per network region – which under a single price base will not require the annual consolidation and rebasing of previous years' data templates. This will also simplify the production of RIIO Annual Reports and ease data comparison to Final Determinations; and
- Align gas regulatory reporting with the approach being considered for Electricity Transmission.⁵

We have engaged with NGGT on this proposal and recognise there are some reservations. In particular, that this change would be onerous for network companies to implement. We note that this would require some system changes, however, we will work closely with NGGT to set out a clear methodology for making inflation adjustments, which we do not envisage being difficult to implement. We believe the benefits of having costs reported consistently in a single price base across the different sectors in the RIIO price controls is a proportionate change that will increase data transparency and improve data comparability for us and NGGT.

We expect that the draft RRP data templates will be populated fully by NGGT. In a small number of cases, we understand that not all information may be available for the first annual submission, for example data that cannot yet be sourced from internal systems and be restated in the requested manner without some further attribution or allocation method. We are engaging with network companies to understand when this information will be available for submission. If information is incomplete at submission, we expect to be informed of the reasons why, and when this will be remedied.

Timeline for implementation

We welcome comments on our proposed modifications by Tuesday, 25th January 2022, and the details for responding are contained on our website. We intend to publish the final versions of the RIGs and RRP data templates in March 2022.

⁵ <https://www.ofgem.gov.uk/publications/consultation-riio-et2-draft-annual-reporting-data-templates-and-associated-instructions-and-guidance>

If we implement these changes, they will take effect immediately. For the avoidance of doubt, this means that the data submitted in July 2022 (in respect of the 2021/22 reporting year) would use the RIGs as modified.

Potential development of regulatory reporting over RIIO-2

We will continue to review all opportunities to improve both the efficiency and effectiveness of the annual reporting process with NGGT and across sectors.

We are aware that companies are actively considering improvements to their own systems which could support further improvements that can be made within the boundaries of existing data systems architecture. Longer term this may extend to more fundamental changes to the way we collect, process and present data on regulated network companies' performance, moving towards the goal of a more automated system and process.

Yours faithfully,

Michael Wagner
Deputy Director, Gas sector
14 December 2021