

Cadent Gas Limited
Northern Gas Networks Limited
Scotland Gas Networks plc
Southern Gas Networks plc
Wales & West Utilities Limited

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(the "Licensees")

Date: 1 March 2022

Direction under paragraph 3 of Standard Special Condition A40 (Regulatory Instructions and Guidance) ("SSC A40") of the Gas Transporter Licence granted to the Licensees under section 7 of the Gas Act 1986

Whereas –

1. The Licensees hold a Gas Transporter Licence (the "Licence") granted or treated as granted under section 7 of the Gas Act 1986 (the "Act") and is subject to the conditions contained in the Licence.
2. The RIIO-GD2 Gas Distribution Price Control – Regulatory Instructions and Guidance ("the RIGs") and Regulatory Reporting Pack ("the RRP") are the primary means by which the Gas and Electricity Markets Authority ("the Authority")¹ directs the Licensees to provide information required by the Authority to administer the conditions of the Licence and, where not referenced in the Licence, the RIIO-GD2 Final Determinations².
3. In accordance with paragraph 8 of SSC A40 of the Licence, the Authority issued a consultation³ on 14 December 2021 on the updated RIGs for RIIO-GD2.

¹ 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.

² [RIIO-2 Final Determinations for Transmission and Gas Distribution network companies and the Electricity System Operator](#)

³ [Consultation for RIIO-GD2 draft annual reporting data templates and associated instructions and guidance | Ofgem](#)

4. The consultation requested that any representations on the proposed RIGs were made on or before 25 January 2022. The Authority received five representations. The Authority has considered the representations and made a number of changes to the RIGs proposed as part of our consultation.
5. We have set out our response to the representations received in Appendix 1 to this Direction and have separately provided a spreadsheet with the detailed changes directly to the Licensees. The version number for the RIGs and associated documents will be published as (v1.00). We are implementing the new RIGs as set out in the consultation, incorporating changes made after considering the representations we received.
6. The modifications apply to information required in terms of the RIGs for the reporting year 1 April 2021 to 31 March 2022, including:
 - the RIIO-GD2 Gas Distribution Price Control – Regulatory Instructions and Guidance: Version 1.00
 - the RIIO-GD2 Gas Distribution Reporting Template: Version 1.00

Now Therefore –

7. Pursuant to paragraph 3 of SSC A40 of the Licence, the Authority hereby modifies the RIGs in the manner specified in the attached Schedule.
8. The reason for this Direction is to introduce the new reporting requirements set out in the RIGs which will allow the Authority to track and monitor company performance against their RIIO-2 price control settlement. Further details are contained in the consultation letter. This document constitutes notice of the Authority's reasons for the Direction as required by section 38A of the Act.

Deadline for submission of information –

9. The deadline for the reporting year 1 April 2021 to 31 March 2022 is 31 July 2022

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Jourdan Edwards
Deputy Director, Networks
Duly authorised on behalf of the Authority
1 March 2022

Schedule to the Authority's Direction dated 1 March 2022

A copy of the RIIO-GD2 – Regulatory Instructions and Guidance: Version 1.00 and the RIIO-GD2 Regulatory Reporting Template: Version 1.00 are available on the Authority's website.

Appendix 1 to the Authority's Direction dated 1 March 2022

Response to feedback on the Regulatory Instructions and Guidance (RIGs) and Regulatory Reporting Rack (RRP) to apply during RIIO-GD2

In December 2021 we published our consultation on the proposed RIGs and RRP for RIIO-GD2 under Standard Special Condition A40 of the Gas Transporter Licence. This consultation set out our proposed reporting templates and accompanying guidance. We highlighted that these templates were an evolution of the data submission that accompanied the RIIO-2 Business Plan, which we used as the basis for setting allowances and outputs for the RIIO-GD2 price control period.

We received five responses to this consultation from Gas Distribution Networks ("GDNs"). We address the substantial points below. In the responses several technical issues contained within the template and guidance were highlighted. This included correction of formulaic errors, updates to data categorisations, references, clarifications, and proposed changes to data input within the RRP. We have addressed these detailed technical matters and they are reflected in the final published versions of the documents.

Reporting costs in 18/19 prices

In our consultation we acknowledged that cost reporting in a consistent 2018/19 price base is a departure from the RIIO-1 reporting process, which was submitted in nominal prices each year and may require additional effort on the part of the GDNs to implement. The GDNs said that this change also has the potential to increase the risk level associated with the data, cause confusion in reported values, reduce the comparability with consumer costs, whilst also requiring an additional level of assurance.

We have decided that cost reporting within the RRP should be in a 2018/19 price base. We believe that having cost figures reported in the same price base as when RIIO-GD2 Final Determinations were set, in addition to how other mechanisms within the price control operate will increase the comparability, visibility and transparency and will remove any ambiguity or confusion around why certain figures change annually. Therefore, we believe that standardising network companies' way of reporting at a cross sector level will assist in an efficient process for monitoring and analysing company performance. Ofgem accept that this change requires an additional step to be undertaken by GDNs prior to submission, however we think that with the correct processes in place, that this is achievable.

RRP data table requirements

We have decided to make some changes to the RIGs and RRP to reduce the level of reporting relative to our consultation. We believe the changes we have made represent a proportionate level of reporting for GDNs, whilst allowing Ofgem to clearly monitor performance against the price control settlement.

Some GDNs highlighted that some data requirements were unclear across various RRP tables and were reporting at a level that was too granular than what was required. In response to this feedback, we have further rationalised the requirements within the RRP to address this concern. In particular, we have decided not to proceed with introducing a new reporting requirement on repex decommissioning costs.

To aid clarity, the formatting of the RRP has been updated so that for each year's reporting input cells and cells that do not require input are clearly distinguished.

Lack of stakeholder engagement

One GDN commented on the amount of engagement that has occurred with respect to the development of the RRP. We believe that Ofgem has properly engaged with GDNs, duly considered representations made and has decided the most suitable reporting requirements for GDNs during the RIIO-GD2 price control period, in line with our statutory duties.

Concerns around the Network Asset Risk Metric (NARM) reporting

We received responses from GDNs relating to the RRP having checks for both costs and volumes. We maintain that these checks will be used as a transparent validation/checking mechanism to ensure consistency across the two related reporting packs. We believe we have arrived at a sensible point of aggregation for the RIIO-GD2 RRP to mitigate the concerns raised within the workbook that we consulted upon.

The majority of issues raised by GDNs are specifically related to the NARM workbook and it would be inappropriate for us to address these here. The NARM specific issues will be addressed within the NARM consultation decision.

We will continue to work constructively with the GDNs to embed the RIIO-GD2 reporting requirements and further develop the RRP and RIGs to improve data quality and transparency.