

**National Grid Gas plc
(with respect to its gas transmission
network)**

(Company Number: 02006000)

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(the "Licensee")

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 Licensee under section 7 of the Gas Act 1986

Whereas –

1. The Licensee holds 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-GT2 Gas Transmission Price Control - Regulatory Instructions and Guidance ("the RIGs") and the Regulatory Reporting Pack ("the RRP") are the primary means by which the Gas and Electricity Markets Authority ("the Authority")¹ directs the Licensee to provide information required by the Authority to administer the conditions of the Licence and, where not referenced in the Licence, the RIIO-GT2 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-GT2.
4. The consultation requested that any representations on the proposed RIGs were made on or before 25 January 2022. The Authority received one representation. The

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 - NGGT Annex \(REVISED\)](#)

³ [RIIO-GT2 Regulatory Instructions and Guidance consultation](#)

Authority has considered the representation and has made a number of changes to the RIGs proposed as part of our consultation.

5. We have set out our response to the representation received in Appendix 1 to this Direction and have separately provided a spreadsheet with the detailed changes directly to the Licensee. The version number for the RIGs and associated documents have been updated to reflect the modifications (v1.13). The modifications to the RIGs and RRP template are also noted in the "changes log" tab of the RRP. We are implementing the new RIGs as set out in the consultation, incorporating changes made after considering the representation 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-GT2 Gas Transmission Price Control – Regulatory Instructions and Guidance: Version 1.13
 - the RIIO-GT2 Gas Transmission Reporting Template: Version 1.13

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 our 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-GT2 – Regulatory Instructions and Guidance: Version 1.13 and the RIIO-GT2 Regulatory Reporting Template: Version 1.13 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-GT2

In December 2021 we published our consultation on the proposed RIGs and RRP for RIIO-GT2 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-GT2 price control period. We sought feedback on the form and content of the RIGs and RRP and more generally how we intend to monitor performance during the RIIO-GT2 period.

We received one response to this consultation which raised a number of points relating to the reporting requirements. We address each in detail below. The respondent also highlighted a number of technical issues contained within the template and guidance. These included correction of formulaic errors, updates to data categorisation, references, clarifications and proposed changes to data input within the pack. We have addressed these detailed technical matters and they are reflected in the final published versions of the documents.

Reporting in 18/19 prices

In our consultation we acknowledged that cost reporting in a consistent 2018/19 price base represents a departure from the RIIO-1 reporting process, during which the RRP was submitted in nominal prices each year, and may require additional effort on the part of network companies to implement. The respondent said that this change also has the potential to make the timescales for RRP submission more challenging and require an additional level of assurance.

Ofgem accept that this change requires an additional step to be undertaken by network companies prior to submission, however we think that with the correct processes in place that this is achievable in the timescales set out for annual reporting. If a network company finds that these timescales are not achievable, the RIGs make provision for it to submit a request to follow alternative submission timescales to those set out in the RIGs⁴. Ofgem will give due consideration to any such request. We also accept that this has implications for data assurance and would anticipate that this will be reflected in the network companies' annual data assurance submission.

⁴ GIIO-GT2 – Regulatory Instructions and Guidance: Version 1.13 para 1.20

Forecast cost data requirements

The respondent has said that the requirement for forecast cost data is unclear across the various tables, has elements of duplication and raises the potential for inaccuracy. In response to this feedback, Ofgem has rationalised the forecast requirements in the RRP. We have maintained the requirement for forecast cost data for specified projects. This is an important aspect of understanding network companies' anticipated performance against its price control settlement and the data is linked through the RRP from its input source to the forecast totex table for consistency. All other cost forecasts have been rationalised and are to be input in the forecast totex table at the level of granularity set out in this table. We consider that this is a proportionate level of granularity which is reasonably achievable for the network companies to provide, whilst also allowing Ofgem to clearly understand forecast performance against the price control settlement.

To further aid clarity, the formatting of the RRP has also been updated so that there is a clear distinction between the years reporting cells that require input and cells that do not require input. We consider that these changes clarify the forecasting requirements, remove any duplication and remove any potential for inaccuracy.

Asset health unit cost data

The respondent cautioned against interpretation of the unit cost data within the asset health reporting table due to the timing delays between workload completion and costs being reported as a result of the way work is amalgamated into work programmes. Ofgem is aware of this and will take cognisance of this in any analysis we undertake. We consider that it is important to develop meaningful units to workload and associated costs to track performance and set future cost allowances. We note the reference to the upcoming re-openers and will continue to work with network companies to develop transparent and meaningful reporting measures across the asset health programme.

Price Control Deliverable ("PCD") reporting

The respondent also highlighted the lack of ability to report PCD status and suggested that a new table could be included to facilitate this with other attributes of PCDs linked from elsewhere in the RRP. We agree that there is a need to provide a means to highlight PCD status and have implemented this in the RRP.

Narrative guidance

The respondent expressed concerns surrounding the requirements for accompanying RRP narrative and highlighted the need to agree these to avoid risks arising from process changes.

We set out our expectations for the accompanying RRP narrative in the RIGs and this has not changed materially from RIIO-1. We expect the accompanying narrative to follow the cost structure and categorisations as set out in the RIIO-2 Final Determinations so that there is transparency of cost reporting against allowances. Any divergence from this structure, or changes to cost categorisation (for example, a cost move from opex to capex) should be well justified. If any changes to reporting in this way are deemed necessary, this should be discussed with Ofgem and a method to ensure meaningful reconciliation to FD allowances should be provided to maintain transparency and comparability throughout the RIIO-GT2 price control.

Where there are specific outputs or deliverables applicable to a cost area or project, or where deliverables or projects deviate materially from what was set out and funded in the RIIO-2 Business Plan, we expect this will warrant a more detailed explanation in the narrative.

Finally, we consider that the RIIO-1 approach where a supplementary RRP table narrative is provided as an appendix to the main document is useful to provide additional clarity around specific cost areas and cost movements over time and has the potential to reduce the need for additional supplementary questions after submission of the RRP.

Data Assurance Guidance ("DAG") templates

We note the respondent's concern that DAG template finalisation is dependant on concluding the RRP decision. This year's submission deadline has been extended to July from February. We acknowledge the concerns and expect DAG template completion can be facilitated swiftly upon publication of the RRP and RIGs.

Going Forward

We will continue to work constructively with the network company to embed the RIIO-GT2 reporting requirements and further develop the RRP and RIGs to improve data quality and transparency. This will help facilitate the assessment of re-openers which are in place throughout the price control period and are designed to help manage the level of uncertainty with regard to investment required across the network.