

Smell gas?

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on 0800 111 999

Neil Munro
Ofgem
Commonwealth House
32 Albion Street
Glasgow
G1 1LH

16th October 2023

Re: RIIO-GD1 Close out: Consultation on proposed adjustments

Dear Neil,

Thank you for the opportunity to respond to this Ofgem consultation "RIIO-GD1 Close out: Consultation on proposed adjustments". Please find our responses to the various elements of the consultation in the appendix to this letter.

If there are any queries, additional information or clarity required for any of the NGN responses, please contact Dean Pearson, Regulation and Analytics Manager (depearson@northerngas.co.uk), who will be able to deal with your query.

Kind regards



Greg Dodd
Regulation and Strategy Planning Director

Northern Gas Networks

**we are
the network**

Northern Gas Networks Limited is registered in England and Wales, no. 5167070.
Registered office: 1100 Century Way, Thorpe Park Business Park, Colton, Leeds LS15 8TU



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RIIO-GD1 Close out consultation sections - Northern Gas Network's Response:

Iron Mains Risk Reduction Programme (IMRRP)

We agree with Ofgem's assessment of the figures, and that NGN outperformed its target for RIIO-GD1 Iron Mains Risk Reduction Programme (IMRRP), and therefore delivered the Primary Output. It should be noted that NGN achieved marginally the 2nd largest risk reduction both in percentage terms and absolute terms, despite our relative size. We are the highest % of the four GDNs overall, whilst being benchmarked as the most efficient network for delivery. At this point in GD2 we are also planning to outperform our minimum GD2 licence IMRRP targets to cover the shortfall in run rate outperformance due to the Covid 19 pandemic, which significantly disrupted operations towards the end of RIIO-GD1.

We are supportive of Ofgem's position that there will be no further revenue adjustment, nor revision of RIIO-GD2 targets. However, we would like Ofgem to note NGN's continued track record in their GD3 considerations to ensure this frontier performance, which benefits all GB customers, is adequately reflected in RIIO-GD3 targets and revenues. This is particularly important when undertaking any comparative assessment and more so when reflecting on NGN's wider operational performance, most notably performance against the 1 and 2 hr emergency standard. We would welcome further engagement with Ofgem to demonstrate how investment by NGN shareholders ahead of need has enabled this, and wider learning we can share with the industry.

We agree that that any over or underspend against allowances is treated as Totex and subject to the RIIO-GD1 Totex Incentive Mechanism (TIM) sharing factor.

Fuel Poor Network Extension Scheme (FPNES)

We agree with Ofgem's assessment that NGN outperformed its target for RIIO-GD1 Fuel Poor Network Extension Scheme (FPNES), despite the impacts of Covid-19 towards the end of the programme, and the only GDN to do so overall.

We have already raised with Ofgem how incorrect data was used for gross and net costs within unit cost calculations. Updated numbers have recently been shared.

Reliability (Interruptions)

We agree with Ofgem's assessment that NGN outperformed its target for RIIO-GD1 Reliability (Interruptions) for both number of and duration for this reputational only output.

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Shrinkage and Environmental Emissions Incentive

We agree with Ofgem's assessment that NGN outperformed its target for RIIO-GD1 Shrinkage and Environmental Emissions Incentive. We also agree with Ofgem's assessment of NGN's associated adjustments.

We are supportive of Ofgem's position of not proposing any adjustments to either RIIO-GD1 targets (Option A as consulted on) or RIIO-GD2 targets (Option B as consulted on) as part of the closeout process, and that the RIIO-GD1 incentive scheme will therefore close out using the established mechanistic formulae in the licence.

However, we would welcome further clarity on the statement below and engagement on this through the appropriate Shrinkage lead meetings.

"We are still considering the requirement to modify the RIIO-GD2 targets to give effect to the policy intent stated at Final Determinations, however we will engage on this as a separate RIIO-GD2 issue outside of RIIO-GD1 closeout."

It would be beneficial to know on what aspect of the targets there could be modifications, and on what basis they could be adjusted, so that the GDNs can assess the potential impact and options to support Ofgem's decision making.

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