



Making a positive difference
for energy consumers

RIIO-3 SSMC Consultation Questions

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Team: Onshore Price Control Setting Team

Email: RIIO3@ofgem.gov.uk

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Any enquiries related to the text of this publication should be sent to Ofgem at:
10 South Colonnade, Canary Wharf, London, E14 4PU.

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psi@nationalarchives.gsi.gov.uk

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1. Overview Questions

Future of Gas

- OVQ1. Do you agree with our proposal for how RIIO-3 should interact with the Hydrogen Transport Business Model?
- OVQ2. Are there any additional activities relating to the development of hydrogen transport infrastructure, or repurposing of natural gas assets, that you think should be funded through RIIO-3, and if so, why do you think this is justified?
- OVQ3. Do you agree with the proposal that network costs relating to hydrogen blending at both distribution and transmission level should be included in RIIO-3 net zero related UMs? If so, which mechanism do you think is most appropriate for these costs and why?
- OVQ4. What are your views on the proposal of using the GD specific Heat Policy re-opener, the RIIO-3 net zero related UMs, or a mixture of both to fund network costs incurred as a result of the government's 2026 decision on hydrogen for heating (where RIIO is deemed to be the most appropriate funding mechanism for these costs)?
- OVQ5. What are your views on our proposal to not enable funding for further evidence relating to repurposing the existing network for hydrogen heating ahead of government's decision on hydrogen heating in 2026?
- OVQ6. Should RIIO-3 help to manage future gas network decommissioning costs? If so, do you have views on what these costs could be and what mechanisms should be used, including for anticipatory funding?

Role of Scenarios and Planning Pathways

- OVQ7. Do you agree with the proposal to use the FES framework for selecting the RIIO-3 scenarios?
- OVQ8. Do you agree with the proposal to use FES Leading the Way as the planning scenario for ET in RIIO-3?
- OVQ9. Do you agree with the proposal to use two FES planning pathways for the gas networks, ie Leading the Way and Falling Short as the additional common conservative scenario?
- OVQ10. Is Falling Short the most appropriate common conservative planning scenario to be used for the gas networks? Or is a common gas network developed scenario more appropriate?
- OVQ11. Is it feasible for all network companies to initially plan against FES 2023 before updating business plans in line with FES 2024, as proposed?

Outputs and Incentives

- OVQ12. Do you agree with our proposed approach on the role, scope and format of PCDs?

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- OVQ13. Do you agree with our proposed framework for setting financial incentives? Are there any additional considerations that we should take into account?
- OVQ14. Do you agree with our approach to setting reputational incentives? Are there any additional considerations that we should take into account?
- OVQ15. Do you agree with our proposals for bespoke outputs? Are there any additional considerations that we should take into account?
- OVQ16. Do you agree with our proposal to retain the EAPs and AERs in RIIIO-3? Please provide reasonings for your position.
- OVQ17. What are your views on the new proposed AER format with Commentary and KPIs?
- OVQ18. Do you agree with our minded-to position of retaining the reputational incentive on TOs and GDNs for reducing their BCF?
- OVQ19. Are there any other suggestions you would like to make regarding reporting standards?
- OVQ20. Do you agree with our minded-to position to withdraw the Environmental Scorecard and incentivise improvements in environmental impacts through the Annual Environmental Report (AER)? Please explain your reasoning.
- OVQ21. Do you consider that there are other areas which require financial incentives which cannot be captured by the AER? Please explain your reasoning.
- OVQ22. Do you have any views on our proposals for the NARM framework?
- OVQ23. Do you have any views on our proposed long-term approach to embedding climate resilience, including the principles for embedding climate resilience?
- OVQ24. Are there any early learnings we should be aware of/incorporate to make progress on this in RIIIO-3 or beyond?
- OVQ25. Do you agree with our suggested approach for embedding climate resilience into RIIIO3, namely: introducing resilience strategies; developing forward-looking resilience metrics; and introducing climate resilience working groups?
- OVQ26. Do you agree with the proposals that we have set out around the resilience metric?
- OVQ27. Do you agree with our proposals on workforce resilience?

Truth Telling and Efficiency Incentives

- OVQ28. Do you agree with our proposed key objectives for truth telling and efficiency incentives?
- OVQ29. What are your thoughts on our proposals relating to minimum requirements under an evolved BPI approach?

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- OVQ30. What are your thoughts on an 'in the round' assessment of cost forecasts as opposed to a high/lower confidence breakdown and assessment?
- OVQ31. What are your thoughts on an 'in the round' assessment of business plan ambition as opposed to requiring and assessing CVPs?
- OVQ32. What are your thoughts on the size and strength of any truth telling incentive?
- OVQ33. What are your thoughts on any alternative approaches that could be used instead of an evolved BPI?
- OVQ34. What are your thoughts on the options for calculating the sharing factors and do you see strong reasons for changing the overall strength of the sharing factors relative to RIIO-2?

Managing Uncertainty

- OVQ35. Do you agree with our proposal to retain the Net Zero Re-opener with its current scope and parameters for RIIO-3?
- OVQ36. What are your views on our proposal, in principle, to retain the Net Zero and Re-opener Development Fund UIOLI for RIIO-3? What are your views on the types of projects it could fund and how it would interact with other sector specific price control mechanisms?
- OVQ37. Do you think we should retain the NZASP for GD and GT? What should its scope be and what kind of projects would you expect to be funded through this re-opener in RIIO-3?
- OVQ38. Do you have any views on consolidating the net zero related re-openers and the UIOLI allowance?
- OVQ39. Do you agree with our proposed position to retain the Coordinated Adjustment Mechanism for RIIO-3? If it were to be retained, what design and incentive considerations could we implement to enhance the utilisation and value of this mechanism?
- OVQ40. Do you agree with our proposal to allow physical security costs to be submitted through a broader resilience re-opener?
- OVQ41. Do you agree with our proposed approach to introduce a resilience re-opener?
- OVQ42. Do you have any views on whether the opex escalator should be retained and if so, how we could evolve the opex escalator for RIIO-3?
- OVQ43. Do you have any views on how we should effectively monitor the delivery of UMs?

Cost of Service

- OVQ44. Do you have any views on whether to evolve the RIIO-2 methodologies for RPEs and ongoing efficiency for RIIO-3, and if so how?

OVQ45. Do you have any views on the potential application of RPEs and ongoing efficiency to re-opener applications?

Cyber Security

OVQ46. Do you agree with our proposed approach to cyber resilience in RIIIO-3?

Innovation

OVQ47. Do you have any views on our proposal to retain a flexible allowance, providing evidence for why you think that it should, or should not be, retained?

OVQ48. Do you have any views on our proposal to retain a competitive network innovation funding pot, that continues to focus on key challenges facing the energy sector, with phases to de-risk the pot?

OVQ49. Do you have any views on how the structure of the price control innovation funding could be adapted to better focus on whole systems problems, and ensure strategic alignment with other public sector initiatives?

OVQ50. Do you agree with our proposal to continue with a similar level of innovation funding, and if not, could you provide evidence for why a different amount is required, including consumer research you are aware of into their willingness to pay for network innovation?

OVQ51. Do you agree there is a need to expand the scope of innovation funding to be more inclusive of third parties?

OVQ52. What are your views on us establishing an accelerator to support early-stage innovators?

OVQ53. What are your views on our proposal for this to be a smaller part of a future challenge fund and to be sponsored by networks?

OVQ54. Do you have evidence of potential innovation projects that have not been implemented or sought funding due to the five-year structure of the price control? How could this issue be addressed?

OVQ55. Do you agree with our proposal to run FRS trials with an explicit focus on informing changes to the rules governing energy network activities – incentivised through SIF or other price control mechanisms?

OVQ56. What topics could FRS trials usefully focus on and why?

OVQ57. Do you have any feedback on the view that not enough network innovation funded projects have been rolled out, and can you share any evidence you have to support your position?

OVQ58. What are your views on the design of potential new mechanisms to address this?

Data and digitalisation

OVQ59. Do you have any views on the timelines for modernising regulatory reporting?

OVQ60. Do you have any initial views on opportunities for improving efficiency in providing the data that Ofgem receives as part of regulatory instructions and guidance?

OVQ61. Are there areas of regulatory reporting that would be most beneficial to start with in the modernising project?

2. ET Annex Questions

Delivery of major new projects

- ETQ1. What are your views on the materiality threshold that should be set to determine which projects fall into or out of our proposed major projects regime?
- ETQ2. What are your views on our proposed approach to setting PCF and ECF, the scope of PCF and ECF and continuing the 'operational aspects' introduced under ASTI?
- ETQ3. What are your views on options for how the ITA could be implemented for major new ET3 investments, and what are your views on its role and scope?
- ETQ4. What are your views on introducing a delivery incentive into RIIO-ET3 for major projects that is broadly similar to the ASTI ODI-F? Do you consider that delivery should be more strongly incentivised than under ASTI, and if so how?
- ETQ5. What are our views on our proposed cost assessment approach for major new RIIO-ET3 projects?
- ETQ6. What are your views on our proposed treatment of sub-£100m schemes identified by the CSNP?

Load related expenditure outside of the CSNP

- ETQ7. What are your views on our proposal for load-related expenditure outside of the CSNP, how these mechanisms can be improved and streamlined, and the appropriate thresholds for the mechanisms?
- ETQ8. What are your views on our proposal for 'shared drivers' projects, how TOs need to evidence investment requirements and how they can be held to account for delivery?
- ETQ9. What are your views on our proposal that there is a need for generation and demand connections volume drivers in RIIO-ET3, and how, if at all, they should change relative to those used in RIIO-ET2?

Minimising networks' impact on the environment

- ETQ10. What are your views on our minded-to proposal of retaining the IIG ODI-F during RIIO-ET3, and our additional commentary around the incentive and its associated reporting requirements?
- ETQ11. What are your views on retaining funding to support mitigation projects that reduce the visual impacts of existing infrastructure in designated areas?
- ETQ12. Do you agree with our assessment of the bespoke outputs described in Table 7?

Compliance with safety legislation

ETQ13. Do you agree that we should retain the RIIO-ET2 approach to safety, or do you consider there is anything more we could do?

Network Access Policy (NAP) LO

ETQ14. Do you agree with our proposal to retain the NAP for RIIO-ET3, and do you have any views on if and how it should be updated?

Energy Not Supplied (ENS) ODI-F

ETQ15. Should we retain the ENS incentive as an ODI-F and strengthen performance targets, or transition to a minimum obligation standard?

ETQ16. Are either a rolling baseline target or the addition of an improvement factor appropriate changes to the incentive target calculation methodology given the increases in target outperformance?

ETQ17. Would a change in the estimate of the VoLL impact TOs investment decisions, and should the incentive value methodology be updated if the VoLL is changed?

ETQ18. Are the current definitions for excluded and exceptional events sufficient, or should they be changed for RIIO-ET3?

ETQ19. Should Ofgem add a materiality threshold for exceptional events?

ETQ20. What are your views on our proposed change to the ENS reporting requirements?

ETQ21. Are there alternative modifications to the ENS incentive that will more effectively improve visibility of circuit availability across the grid?

Connections incentives

ETQ22. What are your views on the extent to which fundamental reform of the ET connections incentives is required, and how would you approach that reform?

ETQ23. Do you have views on how the Timely Connections incentive can be reformed, or replaced, to better capture the efficient coordination of network offers?

ETQ24. Do you have views on how the QoCS incentive can be reformed, or replaced, to better capture the service that connections customers receive?

SO:TO ODI-F

ETQ25. What activities should be considered business as usual under the SO:TO incentive?

ETQ26. What are your views on our proposal to retain the blended constraint cost savings, the 90:10 sharing factor, and the current windfall gain protection mechanism?

ETQ27. We welcome your feedback on the SO:TO incentive scheme, and how we can ensure that it aligns with the long-term CSNP network planning and investments.

New Infrastructure Stakeholder Engagement Survey ODI-R

ETQ28. What are your views on whether and how TO customer service performance should be incentivised or enforced during RIIO-ET3, over and above the incentives and obligations described elsewhere in this chapter?

CSNP Coordination

ETQ29. What is the most effective way of ensuring collaboration between the FSO and the TOs, to ensure the delivery of high-level design of CSNP options?

ETQ30. Do you agree that there should be a licence obligation on the TOs to engage and collaborate effectively with the FSO to ensure the delivery of the CSNP?

Evolving the RIIO-ET2 approach to cost assessment for RIIO-ET3

ETQ31. Do you have any views on how the cost assessment methods used in RIIO-ET2 for load and non-load capex could be improved and/or simplified for RIIO-ET3? Do you think we should consider alternative and/or supplementary approaches to the assessment? If so, which?

ETQ32. Linked to ETQ30, do you have any views on how the cost assessment process could be adapted to capture multiple drivers and address the needs of evolving cost categories for 'shared drivers' schemes?

ETQ33. Do you have any views on how the cost assessment methods used in RIIO-ET2 for non-operational capex could be improved and/or simplified for RIIO-ET3? Do you think we should consider alternative and/or supplementary approaches to the assessment? If so, which?

ETQ34. Do you have any views on how the cost assessment methods used in RIIO-ET2 for network operating costs could be improved and/or simplified for RIIO-ET3? Do you think we should consider alternative and/or supplementary approaches to the assessment? If so, which?

ETQ35. Do you have any views on how the cost assessment methods used in RIIO-ET2 for indirect costs could be improved and/or simplified for RIIO-ET3? Do you think we should consider alternative and/or supplementary approaches to the assessment? If so, which?

ETQ36. Do you have any views on how the cost assessment methods used in RIIO-ET2 for other costs could be improved and/or simplified for RIIO-ET3? Do you think we should consider alternative and/or supplementary approaches to the assessment? If so, which?

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- ETQ37. Do you have any views on how to evolve MEAV as a scale driver for RIIO-ET3? What other scale drivers could we consider?
- ETQ38. Do you have any views on how the cost assessment process could address the market volatility and supply chain challenges that the sector is facing?
- ETQ39. Do you have any views on our initial thinking around the role and potential evolution in RIIO-ET3 of the UMs listed in Table 9?

ET Business Plan Data Templates

- ETQ40. We invite views on current reporting requirements and structure at the cost category level and how this may be adapted to better suit RIIO-ET3 and related development of BPDTs.

3. GD Annex Questions

Proposed RIIO-GD3 specific outputs and uncertainty mechanisms

- GDQ1. What are your views on our proposal to remove the shrinkage ODI-R as a separate output?
- GDQ2. What are your thoughts on the options we have set out for the shrinkage ODI-F and on the design of this incentive?
- GDQ3. If we provide baseline funding or a UIOLI allowance for shrinkage, can you provide examples of initiatives that could be funded, indicative cost, and why these activities would not go ahead without specific price control funding?
- GDQ4. If the Digital Platform for Leakage Analytics is rolled out to all GDNs in RIIO-GD3, what would be the indicative cost and timescales for this?
- GDQ5. If up to 20% hydrogen is blended into the distribution network, what would be the impact on operational practices and shrinkage?
- GDQ6. What are your views on the options we have laid out for the heat policy re-opener, including whether this should be combined with other RIIO-3 net zero mechanisms?
- GDQ7. What are your views on our proposed approach for managing uncertain costs relating to regional energy strategic planning?

RIIO-GD2 outputs and UMs proposed for removal

- GDQ8. What are your views on our proposal to remove the Commercial fleet electric vehicle PCD in RIIO-GD3?
- GDQ9. What are your views on our proposal to remove SGN's bespoke Biomethane improved access rollout PCD in RIIO-GD3?
- GDQ10. What are your views on our proposal to remove SGN's bespoke remote pressure management PCD in RIIO-GD3?
- GDQ11. What are your views on our proposal to remove SGN's bespoke Gas escape reduction PCD in RIIO-GD3?
- GDQ12. What are your views on our proposal to remove SGN's bespoke Intermediate pressure reconfigurations PCD in RIIO-GD3?
- GDQ13. What are your views on our proposal to remove Cadent's bespoke HyNet Front End Engineering Design PCD in RIIO-GD3?

Proposed RIIO-GD3 specific outputs and uncertainty mechanisms

- GDQ14. What are your views on the benefits of repex that we have identified, how well the repex programme is currently working, and what evidence we should consider as part of the joint repex review?

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- GDQ15. Do you consider there to be alternative approaches that could deliver mandatory repx at least cost to the consumer whilst maintaining the legislative safety standards?
- GDQ16. What are your views on our proposal to keep the HSE policy re-opener, but to reduce its use to a single trigger?
- GDQ17. What are your views on the design of the Tier 1 mains decommissioned PCD?
- GDQ18. What are your views on the proposed design of the Tier 1 services PCD?
- GDQ19. What are your views on the design of the Tier 2A mains and services replacement volume driver?
- GDQ20. What are your views on the design of the London medium pressure PCD (Cadent North London only)?
- GDQ21. What are your views on our proposal to retain the diversions and loss of development claims re-opener in RIIO-GD3, and whether all the cost areas are still uncertain in RIIO-GD3?
- GDQ22. What are your thoughts on our proposal to continue the emergency response time LO and whether the target should be set monthly, quarterly or annually?

RIIO-GD2 outputs and uncertainty mechanisms proposed for removal

- GDQ23. What are your views on our proposal to remove the Tier 1 iron stubs re-opener in RIIO-GD3 and our approach for the costs to be included in the baseline allowances?
- GDQ24. What are your views on our proposal to remove the Capital projects PCD in RIIO-GD3?
- GDQ25. What are your views on our proposal to remove the Gas holder demolitions PCD in RIIO-GD3?
- GDQ26. What are your views on our proposal to remove the Multiple Occupancy Buildings safety re-opener in RIIO-GD3?
- GDQ27. What are your views on our proposal to remove NGN's bespoke job completion lead-time including re-instatement ODI-R in RIIO-GD3?

Proposed RIIO-GD3 specific outputs and uncertainty mechanisms

- GDQ28. What are your views on our proposed position on the role of GDNs in relation to vulnerability, and how can they support a just transition to net zero?
- GDQ29. What are your views on our proposal for GDNs to develop individual and joint-GDN vulnerability strategies?

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- GDQ30. Do you agree with our proposal to retain the RIIO-GD2 vulnerability minimum standards is sufficient to ensure customers in vulnerable situations are protected and treated fairly?
- GDQ31. What are your views on our proposal to retain the use of the VCMA UIOLI allowance, on the alternative option to incentivise vulnerability through an ODI-F, and on which activities to support vulnerability could be funded through baseline allowances?
- GDQ32. At what level should VCMA funding be set to ensure its effectiveness and sustainability, and what percentage should be ringfenced for collaborative projects?
- GDQ33. How should VCMA funding be allocated to ensure maximum impact for consumers in vulnerable situations?
- GDQ34. How can learnings from VCMA projects better inform the GDNs' organisational approaches to consumer vulnerability?
- GDQ35. What are your views on the options we've set out to incentivise customer satisfaction during RIIO-GD2?
- GDQ36. What are your views on how the complaints metric can ensure customers' complaints are resolved quickly and effectively?
- GDQ37. What changes, if any, are required to the GSOPs?
- GDQ38. What are your views on our proposed options for the unplanned interruption ODI-F?
- GDQ39. What are your views on the options we have set out for the Collaborative Streetworks ODI-F?
- GDQ40. What are your views on whether the new, large load connections re-opener is still needed in RIIO-GD3?
- GDQ41. What are your views on whether the specified streetworks costs re-opener is still needed in RIIO-GD3?

RIIO-GD2 outputs and uncertainty mechanisms proposed for removal

- GDQ42. What are your views on our proposal to remove the Fuel Poor Network Extension Scheme in RIIO-GD3?
- GDQ43. What are your views on our proposal to remove the consumer vulnerability ODI-R in RIIO-GD3?
- GDQ44. How can the annual VCMA event be improved?
- GDQ45. What are your views on our proposal to remove the DLCA, and do you see any challenges that might arise if it were to be removed?
- GDQ46. What are your views on our proposal to remove the domestic connections volume driver? If you think it should be retained, what changes do you recommend for its design?

- GDQ47. What are your views on our proposal to remove the smart metering rollout costs re-opener in RIIO-GD3?
- GDQ48. Should personalising welfare services continue to be supported under RIIO-3 and, if so, how should it be funded?
- GDQ49. What are your views on our proposal to remove Cadents' bespoke High-rise building plans ODI-R from RIIO-GD3?

Options for evolving our cost assessment approach for RIIO-GD3

- GDQ50. What are your views on the potential advantages of using multiple totex regression models in RIIO-GD3?
- GDQ51. What alternative cost drivers and model specifications would you propose for early testing?
- GDQ52. What are your views on the potential of middle-up modelling in RIIO-GD3?
- GDQ53. What are your views on the potential of disaggregated modelling in RIIO-GD3?
- GDQ54. In your view, what is the most suitable configuration of cost activities for middle-up or disaggregated modelling, that once combined, could form a complete bottom-up assessment of totex?
- GDQ55. What do you think would be appropriate criteria for determining cost exclusions for RIIO-GD3?
- GDQ56. What are your views on the modelling treatment of workload adjustments for RIIO-GD3?
- GDQ57. What are your views on the approach to regional factors for RIIO-GD3?
- GDQ58. What are your views on the approach to company-specific factors for RIIO-GD3?
- GDQ59. In your view, which cost areas will require separate technical assessment in RIIO-GD3?
- GDQ60. What are your views on alternative technical assessment approaches for RIIO-GD3?
- GDQ61. In your view, which cost areas will require separate non-regression analysis and benchmarking in RIIO-GD3?
- GDQ62. Which separately assessed cost activities from RIIO-GD2 could potentially be included in totex benchmarking in RIIO-GD3?
- GDQ63. What are your views on retaining the RIIO-GD2 pass-through cost items for RIIO-GD3?
- GDQ64. What are your views on suitable approaches to the disaggregation of totex allowances for RIIO-GD3?

Proposals for Business Plan Data Templates (BPDTs)

GDQ65. In your view what are the high-priority areas of reporting inconsistency between GDNs within the RIIO-GD2 BPDTs and RRP, and how can these be addressed for RIIO-GD3?

GDQ66. We invite views on current reporting requirements and reporting structure at the cost activity level and how this may be adapted to better suit RIIO-GD3 and related development of BPDTs.

4. GT Annex Questions

Infrastructure fit for a low-cost transition to net zero

- GTQ1. Do you agree with our proposal to include a re-opener to manage the impact of introduction of the CSNP and gas strategic planning processes, with annual windows starting from the first year of the price control?
- GTQ2. Are there any other areas of our proposed RIIO-3 framework (eg outputs or UMs) that you think may need to adapt to accommodate the future role of the FSO in strategic network planning?
- GTQ3. What are your views on what the overall focus of the RIIO-GT3 environmental package should be, and should any additional areas be incentivised?
- GTQ4. What are your views on each of the current individual environmental outputs presented in this section and the Overview Document?
- GTQ5. What are your views on the above two options for the GHG emissions incentive?
- GTQ6. What improvements to the incentive would continue to minimise NGT's impact on the environment from venting?
- GTQ7. What are your views on the above three options for the NTS Shrinkage incentive?
- GTQ8. What are your views on reviewing the way the GSO costs, including costs for procuring NTS shrinkage gas, are forecast and recovered?
- GTQ9. What are your views on including NTS Shrinkage costs within NGT's baseline totex allowance?
- GTQ10. Do you have any views on the future of this PCD?
- GTQ11. Do you have any views on the proposed removal of this re-opener?
- GTQ12. Do you have any views on the above proposed PCD for RIIO-GT3, including on the Hatton PCD and on baselining compressor emission costs for the next price control?

Secure and resilient supplies

- GTQ13. Do you have any views on whether the ANCAR will still be required as an output in RIIO-GT3 and on its need for RIIO-GT2 business planning?
- GTQ14. Do you have any views on the effectiveness of this PCD?
- GTQ15. Do you have any views on our proposal to remove the Bacton re-opener mechanism but retain the PCD?
- GTQ16. Do you have any views on this re-opener?

High quality of service from regulated firms

- GTQ17. Do you have any views on our options for the Customer Satisfaction Survey Incentive? In particular, do you see merit in recalibrating target performance to NGT's most recent performance?
- GTQ18. Do you have any ideas how the strength of the incentive and the range between capped and collared outcomes should be set?
- GTQ19. Which new touchpoint areas could be added to the incentive, and which new engagement and survey channels could be introduced to help NGT improve in the delivery of its services to customers?
- GTQ20. Do you have any views related to the transparency of the customer survey results?
- GTQ21. Do you have any views on how positive changes in NGT's behaviour and customer service could be incentivised?
- GTQ22. What are your views on our proposal to remove the Stakeholder Satisfaction Survey reputational incentive?
- GTQ23. What are your views on our minded-to proposal to retain D-1 Quality of Demand Forecasting incentive as a financial incentive with a tighter target?
- GTQ24. What are your views on the options presented for the D-2 to D-5 Quality of Demand Forecasting incentive?
- GTQ25. What improvements to the D-1 and D-2 to D-5 incentive could be considered?
- GTQ26. Does NGT's D-2 to D-5 forecasts of demand provide a service that is valued by consumers and network users? Please explain why.
- GTQ27. Should the Quality of Demand Forecasting incentive be widened to include other areas of demand forecasts? If yes, which ones?
- GTQ28. Do you agree with our minded-to position to retain all three elements of the maintenance incentive as a financial incentive in RIIO-GT3?
- GTQ29. Should the Maintenance incentive include any other types of maintenance work that are currently not included in the incentive? If yes, please explain which one.
- GTQ30. Do you agree with our minded-to option (option 1) for the CCM incentive? Please provide reasons for your position.
- GTQ31. Do you have any views on introducing seasonal baselines into NGT's licence at the start of the RIIO-GT3 price control?
- GTQ32. Do you agree with our minded-to position to retain the Residual Balancing Incentive in its current format? Is there merit in considering a recalibration? Please provide reasons for your position.

Cost of service

GTQ33. Do you agree with our proposed approach to cost categorisation?

GTQ34. What are your views on setting allowances for internal costs and SO rewards and penalties from the ODIs?

GTQ35. Do you support the need for greater granularity and transparency in cost reporting and to better understand the relationship between GTO and GSO costs to further develop our cost assessment capability?

GTQ36. Is the proposed toolkit appropriate or are there other assessment techniques that we should consider for RIIO-GT3?

GTQ37. Do you have any views on the UMs needed for RIIO-GT3?

GTQ38. Do you have any views on current reporting requirements and structure at the cost category level and how this may be adapted to better suit RIIO-GT3 and related development of BPDTs?

5. Finance Annex Questions

Allowed return on debt

- FQ1. Do stakeholders consider there to be good reasons to deviate from the overall approach set out under UKRN Recommendation 8?
- FQ2. Do stakeholders have evidence in support of or opposition to one or more of the updated indexation or inflation remuneration methodologies under consideration.
- FQ3. Do stakeholders have views on the potential approaches to implementation of the proposed methodology changes, including assumptions relating to ILD weights?
- FQ4. Do stakeholders wish to propose any other alternatives that have not been proposed?
- FQ5. Do stakeholders have any additional evidence for us to consider in our review of the additional borrowing allowances or infrequent issuer premium?

Allowed return on equity

- FQ6. Do stakeholders agree with our interpretation and proposed application of UKRN Recommendations 2-7?
- FQ7. Do stakeholders consider there to be good reasons to deviate from the respective approaches set out under UKRN Recommendations 2-7?
- FQ8. Do stakeholders agree with our proposed methodologies where not specifically covered by the UKRN Guidance recommendations or our approach in previous price controls, such as the proposed approach to converting the RPI-real yields to CPIH-real inputs in the RFR calculation?
- FQ9. What comparators and/or timeframes are likely to provide the most accurate estimate of beta for the energy network sectors on a forward-looking basis?

Allowed WACC

- FQ10. Do stakeholders consider there to be good reasons to deviate from the respective approaches set out under UKRN Recommendations 1 and 9?
- FQ11. Do stakeholders consider there to be good reasons to deviate from the notional gearing assumptions (with respect to the level of gearing and the mix of debt types) applied to GD, GT and ET companies in the RIIO-2 price controls?
- FQ12. Do stakeholders agree with the proposal that notional gearing levels should be maintained for each year of the price control? Do stakeholders have a preference for how this assumption is managed within the price control process?

Financeability

FQ13. What, if any, improvements should Ofgem make to the assessment of financeability in the next price control?

FQ14. What evidence, if any, should Ofgem consider in relation to expanding its assessment of financeability to account for 'investability'?

Financial resilience

FQ15. What is your view on the proposed financial resilience measures? Are these appropriate and/or are there any other measures that you would propose?

FQ16. Are there better ways to protect against excessive leverage and financial risks, in particular leverage via acquisition finance, by utilising existing powers rather than imposing new requirements in the licence?

FQ17. For the SSMC we have not proposed dividend controls or dividend policy requirements. How should we think about protections to ensure that leverage at MidCo and/or HoldCo does not become disproportionately influential in decision making at the licensee with the potential for negative outcomes for consumers?

FQ18. Is there merit in amending the RFPR RIGs to include requirements for Licensees to undertake stress-testing, and to provide the results to Ofgem, as in the Retail sector and as the Prudential Regulatory Authority / Bank of England does for banks, to test for financial resilience?

Corporation tax

FQ19. Do you agree with our proposal to align the RIIO-3 tax approach with RIIO-2 and ED2 including; to maintain Option A - notional allowance with added protections; the approach to capital allowances, and "glide path"?

FQ20. Do you agree with the proposed revision to tax clawback methodology?

Regulatory depreciation and economic asset lives

FQ21. GD & GT: assuming re-openers are available and there is no adjustment to the allowed WACC, how should regulatory depreciation be used to address the uncertainty around the future path for gas and perceived asset stranding risk?

FQ22. GD & GT: what long-term path should regulatory depreciation aim to follow between 2026 and the assumed de-energisation point to promote fairness for current and future consumers? What unit metrics should this be based on? Is this resilient to the various scenarios under FES 2023?

FQ23. GD & GT: assuming there is a relevant gas reopener for government policy, is there a need to reopen regulatory depreciation policy intra-period?

Decision – RIIO-3 SSMC Consultation Questions

- FQ24. GD & GT: what considerations are raised by asset repurposing and how might these affect the decisions to be made on regulatory depreciation policy? What guidance is sought for the SSMD so that licensees have sufficient clarity for their business plans?
- FQ25. ET: do stakeholders consider there to be a need for amending the existing RIIO-ET2 asset life and/or profile assumptions, on either a company-specific or sector basis? If so, please set out your evidence base and potential consumer benefits and costs of changing the existing methodology.
- FQ26. If a 'semi-nominal' cost of debt and WACC approach were to be adopted which results in an acceleration of cashflows, would this impact your responses to any of the questions above?

Return Adjustment Mechanisms (RAMs)

- FQ27. Do stakeholders have views or evidence as to why RAMs should or should not continue?
- FQ28. Do stakeholders have views or evidence as to whether the RAMs methodology should be amended, such as recalibrating the threshold or rates or including financial performance?
- FQ29. Do stakeholders have views or evidence as to whether there should be separate RAMs for 'BAU' parts of the business and specific programmes, such as ASTI?

Other finance issues

- FQ30. Is there a case for altering the capitalisation rate modelling approach between sectors (eg removing the multiple bucket approach for GD)?
- FQ31. What are your views on retaining an ex-ante capitalisation rate for allowed totex, but reporting an outturn capitalisation rate for the purpose of calculating the totex incentive mechanism?
- FQ32. Are there any reasons why the RIIO-3 approach to directly remunerated services should differ from RIIO-2?
- FQ33. Do stakeholders have any reasons or evidence to suggest more directly remunerated service categories are necessary?
- FQ34. Do stakeholders have views or evidence in support of or objection to treating all asset disposals as fast money? Would the existing or alternative approaches have greater merit?
- FQ35. Do stakeholders have views or evidence as to what reporting information should be provided to Ofgem (under the RPFs or other forms) to ensure objective identifiability of repurposed assets and cost data remains appropriately like-for-like?
- FQ36. Do you consider that the existing reporting requirements on executive pay/remuneration, dividends and corporate governance previously

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introduced for RIIO-2 price controls remain appropriate in helping demonstrate the legitimacy and transparency of company performance?

FQ37. Do you have any other suggestions for clarifying or strengthening the reporting requirements with regard to executive pay/remuneration, dividends or corporate governance?

FQ38. Do you have any suggestions on how to improve and future-proof the price control financial model, or use cases it could better support?

FQ39. What are your views on allowing licensees to self-publish the PCFM with their charging statements, rather than relying on an Ofgem publication or direction to determine allowed revenue?

FQ40. What are your views on applying a single time value of money in the financial model to all prior year adjustments, based on nominal WACC?