

# Consultation

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## NGET Non-Operational IT Capex Re-opener Draft Determination

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We are consulting on NGET's Non-Operational Information Technology (IT) Capex Re-opener submission, which was submitted in the 28 August 2023 to 15 September 2023 Re-opener window.<sup>1</sup>

We particularly welcome responses from people and companies with an interest in electricity and gas transmission or distribution. We also welcome responses from other stakeholders and the public.

This document outlines the scope, purpose and questions of the consultation and how you can get involved. Once the consultation is closed, we will consider all responses. We want to be transparent in our consultations. We will publish the non-confidential responses we receive alongside a decision on next steps on our website at [ofgem.gov.uk/consultations](https://www.ofgem.gov.uk/consultations). If you want your response – in whole or in part – to be considered confidential, please tell us in your response and explain why. Please clearly mark the parts of your response that you consider to be confidential, and if possible, put the confidential material in separate appendices to your response.

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<sup>1</sup> This is an additional authority triggered window for the Non-Operational IT Capex Re-opener. [Direction for New IT and Cyber Re-opener Windows 2023 \(ofgem.gov.uk\)](https://www.ofgem.gov.uk/direction-for-new-it-and-cyber-re-opener-windows-2023)

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## **1. Introduction**

### **Section summary**

This section provides an explanation of NGET's submission, our assessment process, and how we will handle this consultation process.

### **Introduction to RIIO-2**

- 1.1 Network companies are natural monopolies. Effective regulation of privatised for-profit monopolies is essential to ensure they cannot unfairly exercise their monopoly power to the detriment of their customers. This is particularly important in the case of essential utilities, such as energy, where consumers have no choice on whether or not to pay what they are charged. It is therefore crucial that an effective regulator protects energy consumers by controlling how much network companies can charge their customers. Ofgem does this through periodic price controls that are designed to ensure network companies are properly incentivised to deliver the best possible outcomes for current and future energy consumers. This includes ensuring that consumers only pay for investments that are needed and do not overpay for those investments.
- 1.2 The current price control model is known as RIIO (Revenue = Incentives + Innovation + Outputs). RIIO-2 is the second price control under the RIIO model for electricity transmission, gas transmission and gas distribution, and runs from 1 April 2021 until 31 March 2026. It includes a range of Uncertainty Mechanisms (UMs) that allow us to assess applications for further funding during RIIO-2 as the need, cost or timing of proposed projects becomes clearer. This ensures that consumers fund projects only when there is clear evidence of benefit, and we have clarity on likely costs and cost efficiency. These mechanisms also ensure that the RIIO-2 price control has flexibility to adapt as the pathways to Net Zero become clearer.
- 1.3 Where possible, we have set automatic UMs, such as the Generation and Demand Connection Volume Drivers, which provide Electricity Transmission Owners with immediate funding when they are required to undertake new customer connection works. In other areas, where the degree of uncertainty is too great to allow for an automatic mechanism, we set 're-openers' which will allow us to assess proposals robustly once information with sufficient accuracy is made available.

- 1.4 The Non-Operational IT Capex Re-opener provides network companies with specific windows within the RIIO-2 period where they can request additional funding for new and replacement IT assets, including hardware, infrastructure, and software development projects, some of which may be critical for achieving Net Zero.

## **What are we consulting on?**

- 1.1 We<sup>2</sup> are consulting on adjusting NGET's Non-operational Information Technology (IT) Capital expenditure (Capex)<sup>3</sup> outputs and allowances under the RIIO-2 Non-operational IT Capex Re-opener ("the Re-opener").
- 1.2 In accordance with Special Condition 3.7 (Non-operational IT Capex Re-opener), NGET has applied to Ofgem to add additional allowances for Non-operational IT projects into its RIIO-2 price control framework. NGET submitted an application titled "NGET Data (Portal and Product Investment)".
- 1.3 Since its submission in September 2023, NGET has also provided additional information to us through a combination of bilateral meetings and Supplementary Question (SQ) responses.
- 1.4 Throughout this document, all monetary figures are in 2018/19 prices (to align with the original RIIO-2 price base).

## **Consultation approach**

- 1.5 We are issuing this consultation following our assessment of NGET's re-opener application. This document explains our assessment of that application and the adjustments we are proposing to make to NGET's licence, including adjustments to allowances and the addition of any Price Control Deliverables (PCD).
- 1.6 We will implement our decision from this consultation by way of a formal direction, which we intend to issue alongside our decision. A draft of the direction is provided in Appendix 1, subject to consultation responses.
- 1.7 We considered NGET's proposals and its justification for the funding requested in accordance with our principal objective and statutory duties. In line with the Re-

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<sup>2</sup> The terms "we", "us", "our", "Ofgem" and "the Authority" are used interchangeably in this document and refer to the Gas and Electricity Markets Authority. Ofgem is the office of the Authority.

<sup>3</sup> Expenditure on new and replacement IT assets, including Hardware & Infrastructure and Application Software Development

opener Guidance and Application Requirement Document<sup>4</sup>, our assessment of each project covers the three following areas:

- the needs case
- the options assessment and the justification for the proposed project
- the efficient costs for the proposed project

We rely on our assessment of these 3 areas in coming to our Draft Determination on what additional allowances, if any, should be provided to NGET to undertake the project.

### Context and related publications

1.8 The scope of this consultation is limited to NGET's Non-operational IT Capex Re-opener. This document is intended to be read alongside:

- the RIIIO-2 Draft Determinations – Core Document, Chapter 7<sup>5</sup>
- the RIIIO-2 Final Determinations – Core Document (REVISED), Chapter 7, page 78<sup>6</sup>
- NGET's Licence Special Conditions 3.7<sup>7</sup>
- RIIIO-2 Re-opener Guidance and Application Requirements Document.

### Consultation stages

**Figure 1: Consultation stages**

Stage 1	Stage 2	Stage 3	Stage 4
Consultation open	Consultation closes (awaiting decision). Deadline for responses	Responses reviewed and published	Consultation decision
07/03/2024	04/04/2024	May 2024	May 2024

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<sup>4</sup> [Re-opener Guidance and Application Requirements Document: Version 3 | Ofgem](#)

<sup>5</sup> [https://www.ofgem.gov.uk/system/files/docs/2020/07/draft\\_determinations\\_-\\_core\\_document\\_redacted.pdf](https://www.ofgem.gov.uk/system/files/docs/2020/07/draft_determinations_-_core_document_redacted.pdf)

<sup>6</sup> [https://www.ofgem.gov.uk/system/files/docs/2021/02/final\\_determinations\\_-\\_core\\_document\\_revised.pdf](https://www.ofgem.gov.uk/system/files/docs/2021/02/final_determinations_-_core_document_revised.pdf)

<sup>7</sup> [National Grid Electricity Transmission Consolidated Special Conditions.docx](#)

## **How to respond**

- 1.9 We want to hear from anyone interested in this consultation. Please send your response to the person or team named on this document's front page.
- 1.10 We've asked for your feedback in each of the questions throughout. Please respond to each one as fully as you can.
- 1.11 We will publish non-confidential responses on our website at [www.ofgem.gov.uk/consultations](http://www.ofgem.gov.uk/consultations).

## **Your response, data and confidentiality**

- 1.12 You can ask us to keep your response, or parts of your response, confidential. We'll respect this, subject to obligations to disclose information, for example, under the Freedom of Information Act 2000, the Environmental Information Regulations 2004, statutory directions, court orders, government regulations or where you give us explicit permission to disclose. If you do want us to keep your response confidential, please clearly mark this on your response and explain why.
- 1.13 If you wish us to keep part of your response confidential, please clearly mark those parts of your response that you *do* wish to be kept confidential and those that you *do not* wish to be kept confidential. Please put the confidential material in a separate appendix to your response. If necessary, we'll get in touch with you to discuss which parts of the information in your response should be kept confidential, and which can be published. We might ask for reasons why.
- 1.14 If the information you give in your response contains personal data under the General Data Protection Regulation (Regulation (EU) 2016/679) as retained in domestic law following the UK's withdrawal from the European Union ("UK GDPR"), the Gas and Electricity Markets Authority will be the data controller for the purposes of GDPR. Ofgem uses the information in responses in performing its statutory functions and in accordance with section 105 of the Utilities Act 2000. Please refer to our Privacy Notice on consultations, see Appendix 2.
- 1.15 If you wish to respond confidentially, we'll keep your response itself confidential, but we will publish the number (but not the names) of confidential responses we receive. We won't link responses to respondents if we publish a summary of responses, and we will evaluate each response on its own merits without undermining your right to confidentiality.

## General feedback

1.16 We believe that consultation is at the heart of good policy development. We welcome any comments about how we've run this consultation. We'd also like to get your answers to these questions:

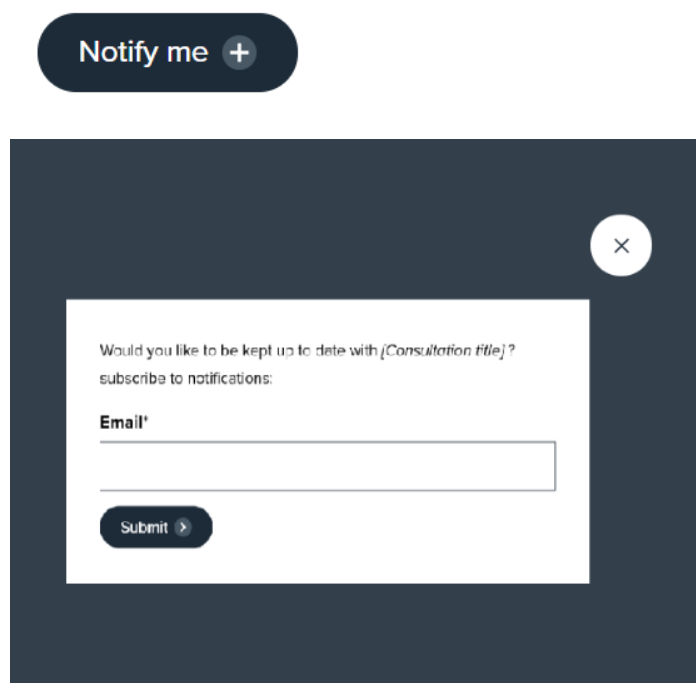
1. Do you have any comments about the overall process of this consultation?
2. Do you have any comments about its tone and content?
3. Was it easy to read and understand? Or could it have been better written?
4. Were its conclusions balanced?
5. Did it make reasoned recommendations for improvement?
6. Any further comments?

Please send any general feedback comments to [stakeholders@ofgem.gov.uk](mailto:stakeholders@ofgem.gov.uk)

## How to track the progress of the consultation

You can track the progress of a consultation from upcoming to decision status using the 'notify me' function on a consultation page when published on our website.

[Ofgem.gov.uk/consultations](https://www.ofgem.gov.uk/consultations)



The image shows a dark blue button labeled 'Notify me' with a white plus sign. Below it is a dark blue modal box with a white close button (X) in the top right corner. Inside the modal box is a white form with the text: 'Would you like to be kept up to date with [Consultation title]?' followed by 'subscribe to notifications:'. There is an 'Email\*' label, a text input field, and a 'Submit' button with a right arrow.

Once subscribed to the notifications for a particular consultation, you will receive an email to notify you when it has changed status. Our consultation stages are:

**Upcoming** > **Open** > **Closed** (awaiting decision) > **Closed** (with decision)



## 2. Project 1 – Data Portal

### Section summary

This section outlines NGET’s re-opener application for its Data Portal project and our assessment of the needs case, optioneering and costs. Based on this assessment our Draft Determination of what allowances, if any, should be added for this project.

### Questions

Q1. Do you agree with our Draft Determination on the needs case, optioneering, and costs for the Data Portal project?

### NGET’s demonstration of the needs case

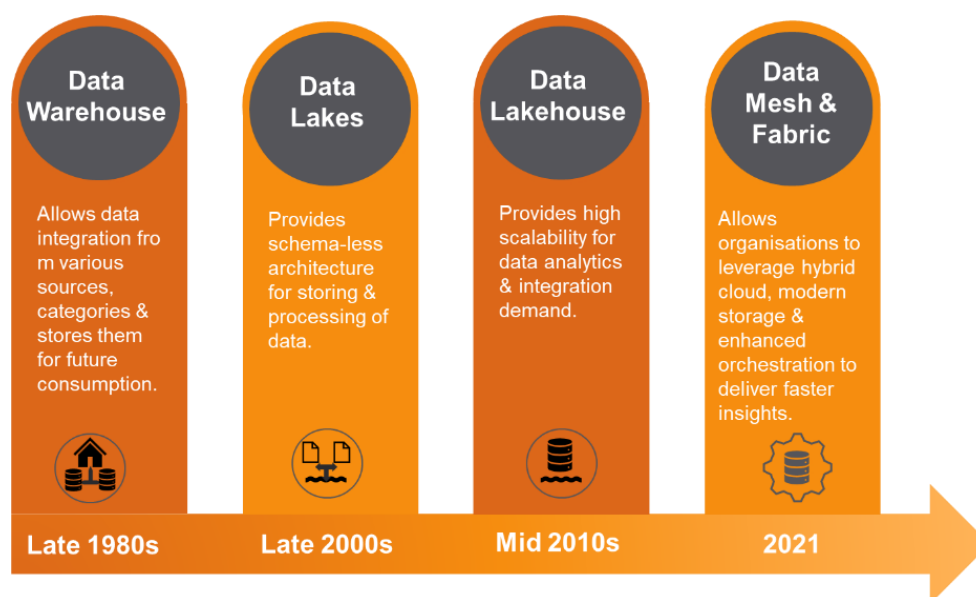
2.1 In its submission, NGET explains that for nearly 30 years it has used big, complex data platforms that make connecting, enriching and consuming data difficult. A review by NGET of its current Data Architecture (a Data Warehouse model, see **Figure 1**)<sup>8</sup> in 2022 indicated that it would not be able to support real-time data requirements needed to help NGET develop data and insights such as Internet of Things (IoT) sensors<sup>9</sup>, digital twins, Artificial Intelligence and Machine Learning.

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<sup>8</sup> As defined by IBM ([What is a data architecture? | IBM](#)) Data Architecture describes how data are managed from collection through to transformation, distribution, and consumption. A Data Warehouse model is a type of Data Architecture that aggregates data from different sources to support data analysis, data mining, artificial intelligence and machine learning ([What is a Data Warehouse? | IBM](#)).

<sup>9</sup> NGET notes “such as heat, performance, throughput from the electricity transmission infrastructure”.

**Figure 1** Data Architecture evolution featured in NGETs submission<sup>10</sup>.



2.2 Thus, NGET states it requires modernisation of its Data Architecture to support real-time data requirements. Furthermore, NGET wants to provide stakeholders and consumers with simple, direct and easy access to NGET data and insights.

2.3 NGET explains there are 3 main drivers it aims to deliver using this investment, that its heritage data practices are no longer able to support:

- To support the regulator and industry by using Data Best Practice and Energy Data Taskforce recommendations to make data products openly transparent.
- To upgrade data architect to host data products that can be used to enhance capabilities and provide insights required to fulfil NGET's Network Strategy and enable transition to a net zero power system.
- To contribute to "technology whole system" thinking through full transparency and accessibility to data enabling staff, consumers, and stakeholders to discover high quality, accurate data.

2.4 NGET has identified two key elements to address the needs case: Data Portal Infrastructure and Data Product Acceleration.

### **Data Portal Infrastructure (Data Fabric) – Phase 1**

2.5 Data Portal Infrastructure is the platform and services which enables the creation, enrichment, and access to data ensuring that consumers have full visibility of available insights. For Data Portal Infrastructure, NGET wants to create a single,

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<sup>10</sup> [Our business plan- National Grid Electricity Transmission](#) Section: Non-Operational IT Capex - Data

unified data platform using Data Fabric to update the data architecture. This will integrate various data sources and avoid future creation of disconnected, resource dependent, and expensive technical components of a traditional data platform.

- 2.6 Furthermore, NGET has explained that Data Fabric is a self-service architecture. NGET wants to take advantage of this attribute and implement a social-technical architecture using Data Mesh. Data Mesh allows teams within the business who have domain expertise of the data and develop Data Products to source the data and publish them to data consumers. This also works vice versa where it allows data consumers to self-serve, provide feedback, and create their own Data Products with the appropriate boundaries and management.
- 2.7 In summary, NGET explains that the Data Fabric will combine a persona-aware data portal with dynamic security access to create customised attribute-based access to the same Data Product. When internal and external users use this technology, it will provide tailored views depending on what, where and who is accessing the data. NGET states this ensures security and privacy is at the heart of the platform. Thus, allowing NGET to remove the restrictions from traditional platforms so data can be collected faster, identify and resolve issues with data quality, accelerate insights from data and better inform business decisions.

## **Data Product Acceleration – Phase 2**

- 2.8 Data Product Acceleration will ensure NGET provides data governance, quality and accelerate the creation of the value-added data products which aid decision making, reporting, transparency and insight. The Data Product Accelerator will deliver new Data Product insights and predictions to further develop the current data best practice compliance and service to enhance data best practice outcomes. NGET states this feature will develop industry standard data products that will enable NGET to adapt to changes and standards more effectively by treating data as a product. It will also provide the wider industry with easily accessible data content which can be directly accessed and consumed.
- 2.9 Overall, NGET states utilising Data Fabric and Data Product Accelerator together (supported with Data Mesh) will remove its existing constraints from a Data Warehouse model and will make accessing, transforming and consuming data easier and simpler for internal users, consumers and wider industry. Providing access to the open data licenced products will enable NGET to fulfil its strategy, Ofgem's Data Best Practice enhancements, and Energy Data Taskforce's recommendations.

- 2.10 In addition, this project will advance from moving and migrating data to create a robust connected platform where data can be enriched, providing continued consumer value with faster, open, and easy access to all data products across NGET. Which ultimately supports NGET's decision making towards Net Zero.

### **Our Draft Determination on NGET's needs case**

- 2.11 We agree with NGET's presented needs case to update its data architecture using Data Fabric. This will allow NGET to accelerate its ability to share data internally, and externally with the energy sector, consumers and stakeholders. The outcome of increasing data transparency and accessibility will ensure NGET to fulfil its obligations, improve availability and quality of data and to add value to relevant data consumers.
- 2.12 We see the value in Data Product Accelerator to deliver new data products faster creating valuable insights towards decision making, reporting and driving efficiency. In addition, we support the utilisation of Data Fabric and Data Product Accelerator, with Data Mesh, together to provide a holistic, enriched package.
- 2.13 We are satisfied with NGET's proposals to upgrade its data architecture from a Data Warehouse model to Data Fabric. This enables NGET to move away from big, complex data platforms which NGET states makes connecting, enriching and consuming data difficult towards a modern approach using Data Fabric which is a single, connected platform unifying the existing components and removing inherent constraints from the old architecture. Based on this we are satisfied Data Fabric will increase efficiency, speed up data related processes and overhead time, and provide a simplified data landscape with whole system thinking to create a future-proofed connected platform that can easily adapt to change.

### **NGET's options considered and justification for the proposed project**

- 2.14 In its submission, NGET outlined a range of potential options to address the needs case.
- Option 1 – **Buy** the Data Fabric components as Software as a Service (SaaS) from the market, via NGET's existing contracts.
  - Option 2 – **Hybrid** use open source to provide portal component, without a fabric or advanced security controls.
  - Option 3 – **Build** creates an in-house capability to develop and enhance the Data Fabric and content.

- 2.15 NGET has measured and compared development cost, time to deploy, scalability, security and customisability against each option. NGET has also identified the following recommended requirements:
- Agile development: enabled by the data fabric distributed queries.
  - Customised views: provided by persona aware, tailored data catalogues.
  - Strong security: enforced by ABAC policies and access controls.
  - Unified data access: delivered via the integrated platform.
  - Follows Ofgem best practices.
  - Complies with data governance needs.
- 2.16 Option 1: NGET's preferred Option is to buy an integrated Software as a Service (SaaS) Data Fabric. The Data Fabric will consist of three capabilities: Data Connectivity which enables querying of data across the entire landscape regardless of source, Dynamic Security Access which allows NGET to tailor access controls and security on top of the data sources and Data Product Catalogue which offers specialised viewing of data products. NGET believes that by combining these three technologies it would achieve an agile, scalable and unified data access platform that would allow NGET to apply the right level of scrutiny, governance and customisation. Thus, meeting all the stated requirements in paragraph 2.15.
- 2.17 Option 2: NGET has rejected a hybrid portal data management system. NGET explains that this option would implement a widely used open-source solution (such as CKAN<sup>11</sup>) and states this is a flexible and lower cost option to deliver a unified data access platform. NGET also highlights that an open-source system would allow it to build a customised Data Portal and leverage standard features such as data catalogue, Application Programming Interfaces (APIs), visualisation and access controls. However, there are disadvantages to an open-source portal such as it is slower to build data products, less secure, no data catalogue, poor scalability, and higher risk as it lacks enterprise-grade features.
- 2.18 The hybrid option does not remove the historic constraints of NGET's existing Warehouse model as it would make the process of fulfilling Ofgem's Data Best Practice a manual process that NGET believes comes with its own inherent risks.

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<sup>11</sup> Comprehensive Knowledge Archive Network ([CKAN - The open source data management system](#)) is an "open-source data management system for powering data hubs and data portals. CKAN makes it easy to publish, share and use data."

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- 2.19 Option 3: NGET has also rejected building an internally developed solution. NGET states that this approach would deliver many benefits, as it would develop a bespoke solution that would provide NGET with complete control and enable it to tailor the platform precisely to its needs.
- 2.20 On the other hand, NGET states option 3 is the most expensive and has more risk associated with its delivery. NGET explains that to build a developed solution in-house would require a massive internal effort and could take years of sustained investment to afford a platform to support enterprise scale, security, reliability and supportability in comparative scale to commercial solutions. In addition, a new fresh in-house build would require potentially decades of optimisation to gain a developed solution of the same calibre of leading vendor solutions.
- 2.21 Albeit, not included in its optioneering NGET has included a baseline scenario of “do nothing” in its cost benefit analysis. NGET explains this option has been rejected because it does not provide any benefits and goes against the commitments to open data and transparency, making NGET at risk of not fulfilling its licence conditions.
- 2.22 Furthermore, in its cost benefit analysis, NGET presented the costs of the three options and a baseline scenario to do nothing. **Table 1** details the total cost and its net benefit from each option and scenario for the years 2024 and 2025.

**Table 1 Comparative total costs and net benefits for years 2024 and 2025, as set out by NGET**

	<b>Do nothing</b>	<b>Option 1 (Buy)</b>	<b>Option 2 (Hybrid)</b>	<b>Option 3 (Build)</b>
<b>Total cost</b>	£0.0m	£6.7m	£6.1m	£10.4m
<b>Total Net Benefit</b>	-£2.0m <sup>12</sup>	£58.4m	£17.8m	£45.6m

- 2.23 NGET explains that to do nothing assumes no work to be conducted, no future developments to data and no future benefits to the consumer. As these attributes are necessary to meet Ofgem’s Data Best Practice guidance, NGET has assumed it would receive a fine for not fulfilling its commitments to open data and

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<sup>12</sup> NGET has listed a net benefit of -£2m for doing nothing, as this is the cost it expects to incur if it did not meet its commitments. However, this would not be a cost to consumers, so should be considered £0 for this re-opener.

transparency. For this scenario, NGET proposes it would need to set aside a net cost of £2m to remediate the fine.

- 2.24 For option 1, to buy, NGET explains that the initial investment for the SaaS solution is higher than the hybrid option. However, the fully integrated Data Fabric and portal allows NGET to develop Data Products faster which equates to lower unit costs for both the build and on-going support. The hybrid option suffers from the lack of supplier support during the design and build phases which NGET predicts would take the hybrid option longer to deliver. Additionally, without fabrics automation there would be no change from the historic, current Warehouse model and thus time, cost and ongoing support costs for each Data Product would not be improved and remain the same. Hence, the hybrid option would provide fewer benefits versus the costs compared to the buy option.
- 2.25 For option 3, to build, it would involve the development of the software to create an integrated portal, fabric, and an attribute-based security and access solution. Once delivered, NGET has estimated a net benefit of £45.6m. Albeit being a specialised option allowing NGET full flexibility and control to tailor the platform precisely to its needs NGET states it is not a software development organisation. Moreover, NGET notes these capabilities are complex to design and generates significant risk and low consumer value.

### **Our Draft Determination on NGET's optioneering**

- 2.26 We agree with NGET's optioneering and support the option to buy a fully integrated data fabric because this option will allow NGET to strengthen its data architecture to fulfil its licence obligations, improve transparency, and deliver value to the business, wider energy industry and consumer faster. We are satisfied that NGET has correctly identified buying commercial products will provide greater agility, security and consumer experience to deliver greater overall business value. More importantly, it is the lowest risk option and provides the best value to the consumer out of the three options.
- 2.27 In addition, we agree with NGET to reject Option 2 for a hybrid portal. Whilst it is the lowest cost option and allows more control over customisation, it is marginally lower than Option 1, contains higher risk than Option 1 and offers the least value for consumers. Along the same lines, we agree with NGET's decision to reject Option 3 to build an internally developed solution. Whilst offering even greater flexibility and control than Option 2, it is the highest costing option with the greatest risk and uncertainty in its delivery timeline.

## **Our Draft Determination on efficient costs**

- 2.28 NGET has requested £6.7m with a 6% risk allowance of £0.424m towards this project for the years 2024 and 2025. NGET has stated that the project is intended to continue through 2026 and beyond and will form part of the investment plan for the next NGET price control period.
- 2.29 In its cost benefit analysis, we can see NGET displays additional costs through to 2031. We asked NGET, in our Supplementary Question 2, if there was a predicted finish date for this investment plan or will the project be continuing in perpetuity, and if so, what would the ongoing costs be per year.
- 2.30 NGET explains it does not expect the project itself to continue in perpetuity. However, data products will continue to develop and some of them in perpetuity as they will continuously develop over time. NGET notes that the ongoing monthly costs for the Fabric is estimated at £150k per month which includes hosting, licence, personnel and risk costs. The ongoing maintain and development costs for Data Products is estimated to range between £2k to £4k per product per calendar month, depending on the complexity of the data product. NGET assumes the Fabric technology delivered from the Buy option will lead to a reduction in ongoing maintenance costs per Data Product of 20% due to reduction in management of the data pipelines. In addition, NGET expects advancements in artificial intelligence, generative artificial intelligence and Machine Learning will further improve the creation and automation of future products.
- 2.31 NGET has reported the cost breakdown of the preferred option over two years for the Data Fabric (£3.97m) and Data Products (£2.73m). We asked NGET to provide a more granular breakdown of costs, including internal versus external resources. In response to our Supplementary Question 4<sup>13</sup>, NGET explains it is building out the baseline permanent resource capacity across the organisation in both the Data Product and Data Platform teams. The model is to use baseline permanent persistent resource and supplementing with external resource for peak demand and accelerations.
- 2.32 NGET states for the first phase, the design, procurement and implementation phase of Data Fabric, it will use a mixture of both internal (23%) and external

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<sup>13</sup> *Supplementary Question 4: "Can you give us a more granular breakdown of costs, including internal v external resource."*



(77%) resourcing. Internal staff will provide the design, governance and control whereas the external staff will build and implement the solution. However, once the Fabric has been built NGET will use 100% internal resourcing to maintain and develop its capabilities.

- 2.33 For the second phase, the Data Product Accelerator phase, NGET explains that it needs to ensure that the teams that design, build and implement Data Products will also support and develop them over time to meet changing business and consumer needs. To accomplish this, NGET propose to use 100% internal resourcing to provide the subject matter expertise, knowledge, and enduring organisational memory.
- 2.34 We consider that the cost profile for the first phase is reasonable, using a blend of internal and external resources to overcome lack of in-house expertise and achieve the solution. However, in total, the resourcing costs are high and are roughly 61% of the investment (contributions of each phase are: Data Fabric – 20%, Data Products - 41%). Whilst being 100% internally resourced the costs proposed for the Data Product Accelerator phase are high. We anticipate knowledge gained from implementing Data Fabric first would provide NGET better insight to deliver best value in its submission towards Data Product Acceleration.
- 2.35 NGET has identified and presented a detailed account of potential risks and their subsequent mitigation strategies in its submission. It states that not all risk carries an associated cost and has evaluated the identified high-level risks and allocated a risk allowance of 6% during the 2024–2025 period. To ensure that allowances for risk are consistent across network companies and across individual network companies’ portfolios we propose to increase NGETs proposed risk allowance of 6% to 7.5%. As explained in a prior Decision<sup>14</sup> publication we are satisfied that a 7.5% risk allocation balances the risk born by network companies and by consumers. **Proposed addition £0.106m.**
- 2.36 From our assessment, we consider that NGET should be funded to build the Data Fabric first as this would familiarise NGET with the new architecture and give a fuller understanding of its maintenance and development needs. We see the value in the Data Product Accelerator phase, but we believe it would benefit from lessons learned throughout design, procurement and implementation of phase one to more accurately estimate its costs and provide best value for consumers.

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<sup>14</sup> [Decision on the assessment of three 2023 SPT’s MSIP full applications \(ofgem.gov.uk\)](#), paragraphs 2.10 – 2.17.

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Once phase one has been established, implementation of Data Product Acceleration would be a desirable addition in T3.

- 2.37 We propose implementation of the Data Fabric alone would improve NGETs maturity with the Data Best Practice guidance, remove constraints from its out-dated system and provide benefits for relevant stakeholders and consumers. Therefore, we propose to reduce the total investment by removing the costs presented for the Data Product Accelerator, see paragraph 2.31 above. **Proposed reduction £2.73m.**
- 2.38 To conclude, we agree buying the SaaS tooling and having a fully integrated Data Fabric will allow NGET to build and deliver the solution sooner, at minimal risk and deliver Data Products and their benefits faster than either the hybrid or build options. We are also satisfied that funding the Data Fabric without Data Product Acceleration should deliver the three main drivers stated in paragraph 2.3: to fulfil the needs of the enhanced Data Best Practice and its licence obligations to make data products openly transparent; use of a data architect that allows enrichment of data and develops valuable insights towards delivering value to the business and wider energy industry faster; enable simple, direct and easy accessibility of data internally, to stakeholders and consumers.
- 2.39 **Table 2** below details NGET's requested funding, our proposed reductions, and our proposed allowances, if any.

**Table 2:** NGETs requested funding and our Draft Determination

<b>NGET proposal</b>	<b>Ofgem adjustments</b>	<b>Draft allowances</b>
£6.697m	–£2.621m	£4.076m

- 2.40 To ensure good value for money is achieved, we are allocating the PCD below and expect this to be delivered by the end of March 2026:
- Delivery of the Data Portal Infrastructure (Data Fabric) creating a single connected self-service platform, including the catalogue, portal, data connectivity and dynamic security access components. With the capability to automate the connectivity and enrichment of data ensuring data products are defined, described and published to an open marketplace that is easily accessible for stakeholders and consumers.
- 2.41 We have set this PCD out in the formal PCD format as part of the draft direction in Appendix 1.

## Appendices

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## **Appendix 1 – Draft Direction**

### **Introductory note**

Following our assessment of NGET's submission, we have set out our Draft Determination. Any decision, for example to add additional allowances for a project, will be implemented into the Licensees licence via a direction. This Appendix provides a draft of the direction that will implement our Final Determination, as required by Special Condition 3.7.9. We intend to confirm the direction at the same time as setting out our Final Determination.

This direction is subject to responses to our Draft Determination. Any representations with respect to the Draft Determination or associated draft direction below must be made on or before 4 April 2024. These should be sent to Rebecca Taig, Office of Gas and Electricity Markets, Commonwealth House, 32 Albion St, Glasgow, G1 1LH or by email to [Rebecca.Taig@ofgem.gov.uk](mailto:Rebecca.Taig@ofgem.gov.uk).

Please see paragraphs 1.9 to 1.15 above for more information on responding, including on marking parts of responses that you consider confidential.

### **Draft Direction**

#### **Direction under Special Condition 3.7.12 of the electricity transmission licence held by National Grid Electricity Transmission (the Licensee) to add allowances for Non-Operational IT Capex**

A1.1 The Gas and Electricity Markets Authority ('the Authority') is issuing a direction under Special Condition 3.7.12 to amend Appendix 1 of Special Condition 3.7 (Total Non-operational IT Capex Re-opener allowance).

A1.2 Special Condition 3.7 provides a re-opener mechanism by which the Licensee may seek additional funding during the RIIO-2 price control period for activities capable of improving the efficiency or performance of its Non-operational IT Capex.

A1.3 The Licensee applied under Special Condition 3.7.6 in September 2023, and the Authority publicly consulted on its Draft Determination between 7 March 2024 and 4 April 2024. This document included a draft of this direction, as required by Special Condition 3.7.12

A1.4 The Authority received [x] non-confidential representation(s) and have placed these on [ofgem.gov.uk](https://www.ofgem.gov.uk). Having considered these representations, the Authority has decided to proceed with making this direction.

A1.5 This direction will implement the Authority's decision on the Licensee's application to the Authority to add additional Non-Operational IT Capex allowances into its RIIIO-2 price control framework.

A1.6 This Direction constitutes notice stating the reasons for the decision for the purposes of section 49A of the Electricity Act.

A1.7 This direction will update Appendix 1 of Special Condition 3.7 of NGET's licence to include the new amended total of investment awarded.

## Appendix 1

### **Total Non-operational IT Capex Re-opener allowance (£m)**

	<b><u>Regulatory Year</u></b>					
	<u>2021/22</u>	<u>2022/23</u>	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>	<u>All years</u>
Re-opener Allowance	3.461	—29.271	42.957	25.997	28.718	130.404
	<b><u>3.461</u></b>	<b><u>29.271</u></b>	<b><u>44.994</u></b>	<b><u>28.035</u></b>	<b><u>28.718</u></b>	<b><u>134.479</u></b>

A1.8 This direction will also update Appendix 2 of Special Condition 3.7 of NGET's licence to include the new Price Control Deliverables.

## Appendix 2

### **Non-Operational IT Capex Price Control Deliverable (£m)**

			<b><u>Regulatory Year</u></b>					
NOITRE project	Output	Delivery date	2021/22	2022/23	2023/24	2024/25	2025/26	Total
Data Fabric Phase 1	Delivery of the Data Portal Infrastructure (Data Fabric) creating a single connected self-service platform, including the catalogue, portal,	March-26	0	0	2.038	2.038	0	£4.076

	data connectivity and dynamic security access components. With the capability to automate the connectivity and enrichment of data ensuring data products are defined, described and published to an open marketplace that is easily accessible for stakeholders and consumers.							
Scenario n 1	Creation of production scenarios with a functional user interface to allow efficient view of outputs and sensitivities started from at least three operational sources	31/03/23	0.023	0.019	0.006	0.006	0.006	0.060
Scenario n 2	Creation of production scenarios with a functional user interface to allow efficient view of outputs and	30/09/23	0.057	0.047	0.015	0.015	0.015	0.150

	sensitivities with artificial intelligence/learning algorithms started from at least 90% of systems							
Scenario n 3	Creation of scenarios with a functional user interface to allow efficient view of outputs and sensitivities with artificial intelligence/learning algorithms started for at least two national scenarios & ten regional scenarios	31/01/24	0.057	0.047	0.015	0.015	0.015	0.150
SVOP	Single view of the plan decommissioned	30/12/26	0.153	0.125	0.041	0.041	0.041	0.400
Scenario modelling tool	The scenario modelling tool can be used to support NOA 2023/24	31/03/24	0.057	0.047	0.015	0.015	0.015	0.150

A1.9 This direction will take effect immediately.

Yours sincerely,

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**[Name]**

**[Title]**

**For and on behalf of the Authority**



## **Appendix 2 - Privacy notice on consultations**

### **Personal data**

The following explains your rights and gives you the information you are entitled to under the General Data Protection Regulation (GDPR).

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

#### **1. The identity of the controller and contact details of our Data Protection Officer**

The Gas and Electricity Markets Authority is the controller, (for ease of reference, "Ofgem"). The Data Protection Officer can be contacted at [dpo@ofgem.gov.uk](mailto:dpo@ofgem.gov.uk)

#### **2. Why we are collecting your personal data**

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

#### **3. Our legal basis for processing your personal data**

As a public authority, the GDPR makes provision for Ofgem to process personal data as necessary for the effective performance of a task carried out in the public interest. i.e., a consultation.

#### **4. With whom we will be sharing your personal data**

We will not be sharing your personal data with other organisations.

#### **5. For how long we will keep your personal data, or criteria used to determine the retention period.**

Your personal data will be held for up to twelve months after the consultation process closes.

#### **6. Your rights**

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right to:

- know how we use your personal data
- access your personal data
- have personal data corrected if it is inaccurate or incomplete
- ask us to delete personal data when we no longer need it
- ask us to restrict how we process your data
- get your data from us and re-use it across other services

- object to certain ways we use your data
- be safeguarded against risks where decisions based on your data are taken entirely automatically
- tell us if we can share your information with 3<sup>rd</sup> parties.
- tell us your preferred frequency, content and format of our communications with you.
- to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at <https://ico.org.uk/>, or telephone 0303 123 1113.

**7. Your personal data will not be sent overseas**

**8. Your personal data will not be used for any automated decision making.**

**9. Your personal data will be stored in a secure government IT system.**

**10. More information** For more information on how Ofgem processes your data, click on the link to our "[ofgem privacy promise](#)".