

Decision

Non-Operational IT Capex Re-opener Final Determinations

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This document sets out our decisions for electricity transmission and gas transport licensees Non-Operational Information Technology (IT) Capex Re-opener submissions.

As part of the RIIO-2 price control, network companies can apply for additional allowances via the Non-Operational Information Technology Capex Re-opener uncertainty mechanism.

In the 28 August 2023 to 15 September 2023 Re-opener window¹, we received submissions from Cadent, SHET, NGET, SGN and WWU for additional allowances. We published our Draft Determination and associated draft direction for each network as five separate consultations. For administrative ease, we have merged our decisions of the five separate consultations in this document. Having considered all responses to our consultations, this document sets out our decisions on what allowances, if any, to award to each network. This document also includes the formal directions used to implement our decision into each network company's licence.

¹ This is an additional authority triggered window for the Non-Operational IT Capex Re-opener. The original fixed window within the licence was 23 January 2023 to 30 January 2023. [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 explains our assessment and consultation process, and how we came to a decision for each licensee.

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 did we consult on?

- 1.5 We² consulted on adjusting the electricity transmission and gas transport licensees Non-operational Information Technology (IT) Capex³ outputs and allowances under the RIIO-2 Non-operational IT Capex Re-opener.
- 1.6 In accordance with Special Condition 3.7 (Non-operational IT Capex Re-opener), five network companies applied to Ofgem to add additional allowances for Non-operational IT projects into its RIIO-2 price control framework.
- 1.7 Following their submissions in September 2023, the licensees also provided additional information to us through a combination of bilateral meetings and Supplementary Question (SQ) responses.
- 1.8 We considered each proposal and the relevant justification for the funding requested in accordance with our principal objective and statutory duties. In line with the Re-opener Guidance and Application Requirement Document⁴, our assessment covered the following three areas for each project:
- the needs case.
 - the options assessment and the justification for the proposed project.
 - the efficient costs for the proposed project.

We combined this information to create our Draft Determinations on what additional allowances, if any, should be provided to each licensee to undertake the relevant project.

- 1.9 We issued five consultations on our Draft Determination for stakeholder feedback, and each included a draft of the direction that would be used to implement the Draft Determination. A summary of the consultation response is included and

² 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.

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

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

having considered the response, we have made our Decision. We have combined our decision for each of the five consultations into this single document for administrative ease.

- 1.10 Each Draft Determination received a consultation response from the relevant licensee that the Determination would impact. Additionally, the Cadent, SHET and SGN Draft Determinations each received a response from a single private individual. As the responses from the individual were offensive and not relevant to the specific projects, we have excluded them from our review process when creating the Final Determination and Direction.
- 1.11 Throughout this document all monetary figures are in 2018/19 prices, to align with the original RIIO-2 price base. Some information has been redacted, where it relates to Critical National Infrastructure⁵ or market sensitive information. Where information has been redacted, this is clearly marked by a black box.
- 1.12 The appendices set out our formal directions that will implement these decisions into the network licences.

Context and related publications

- 1.13 The scope of this document is limited to each electricity transmission and gas transport licensees Non-operational IT Capex Re-opener. The five related consultations are here:

- Cadent Non-Operational IT Capex Re-opener Draft Determination 2024, published 7 March 2024.⁶
- NGET Non-Operational IT Capex Re-opener Draft Determination 2024, published 7 March 2024.⁷
- SHET Non-Operational IT Capex Re-opener Draft Determination 2024, published 14 February 2024.⁸
- SGN Non-Operational IT Capex Re-opener Draft Determination 2024, published 14 February 2024.⁹

⁵ [Critical National Infrastructure | NPSA](#)

⁶ [RIIO-2 Non-operational IT Capex Re-opener Draft Determination: Cadent 2024 | Ofgem](#)

⁷ [RIIO-2 Non-operational IT Capex Re-opener 2024 Draft Determination: NGET | Ofgem](#)

⁸ [RIIO-2 Non-operational IT Capex Re-opener 2024 Draft Determination - Scottish Hydro Electric Transmission | Ofgem](#)

⁹ [RIIO-2 Non-Operational IT Capex Re-opener 2024 Draft Determination - SGN | Ofgem](#)

- WWU Non-Operational IT Capex Re-opener Draft Determination 2024, published 27 March 2024.¹⁰

1.14 This document is intended to be read alongside:

- The relevant Licence Special Conditions 3.7.¹¹
- RIIO-2 Re-opener Guidance and Application Requirements Document.¹²
- RIIO-2 Draft Determinations – Core Document, Chapter 7.¹³
- RIIO-2 Final Determinations – Core Document (REVISED), Chapter 7.¹⁴

¹⁰ [RIIO-2 Non-operational IT Capex Re-opener Draft Determination: WWU 2024 | Ofgem](#)

¹¹ [EPR 2013 - Index \(ofgem.gov.uk\)](#)

¹² See footnote 4 above

¹³ https://www.ofgem.gov.uk/system/files/docs/2020/07/draft_determinations_-_core_document_redacted.pdf

¹⁴ https://www.ofgem.gov.uk/system/files/docs/2021/02/final_determinations_-_core_document_revised.pdf

2. Cadent Final Determination

Cadent Project 1: Final Determination

Section summary

This section summarises Project 1 (Satellite End of Life): our Draft Determination, Cadent's response to it and our Final Determination.

Summary of our Draft Determination

- 2.1 In its submission, Cadent explained that it uses a telemetry network to monitor and dynamically control the pressure, flow, and quality of gases in its networks. This telemetry network relies on satellite connectivity at a series of Critical National Infrastructure (CNI) sites. In 2021, Cadent's existing satellite operator informed it that the satellite was reaching end-of-life so it would be shutting it down.
- 2.2 Cadent stated that the absence of this critical system would mean that it would be unable to manage the pressures in its multi-pressure networks. This could lead to significant issues including loss of service for industrial users, loss of visibility of demand, loss of earnings, failure to comply with its licence conditions and increased risk of safety related incidents such as gas escapes. It would also mean that some sites would have no contingency backup so would 'go dark' and be vulnerable to cyber-attacks.
- 2.3 For its optioneering, Cadent considered:
 - Do nothing.
 - Use replacement satellite.
 - Realign to an alternative satellite [x] (preferred).
 - Realign to an alternative satellite [y].
 - Defer solution until funding is awarded.
- 2.4 Our Draft Determination concluded that Cadent presented a succinct needs case that clearly explained why there is a need to act now, as leaving the situation as it stands could lead to Cadent losing its monitoring of critical systems needed to effectively control its gas distribution network. We approved of Cadent's optioneering and its procurement strategy for undertaking its preferred option. We could also see that it had aimed to minimise costs, in particular by purchasing and carrying spare equipment to avoid the need for surveying and to reduce the

number of site re-visits needed, alongside a clear procurement strategy. We concluded that Cadent's costs were efficient therefore our Draft Determination was to award the full amount requested (£0.82m).

Cadent's response to our Draft Determination

2.5 Cadent's consultation response agreed with our proposal to award full funding for this project.

Our Final Determination

2.6 Given no evidence was presented to dispute our Draft Determination position, and the sole response from Cadent supports our position, we are awarding the full allowances proposed in our Draft Determination.

Table 1: Final Determination on Project 1

Cadent proposal	Our Draft Determination	Our changes following consultation	Our Final Determination
£0.82m	£0.82m	£0.00m	£0.82m

Cadent Project 2: Final Determination

Section summary

This section summarises Project 2 (Multiple Occupancy Buildings, MOBs) Draft Determination, Cadent's response to it and our Final Determination.

Summary of our Draft Determination

- 2.7 In its submission, Cadent considered that investing in the systems and processes to improve how it captured data related to MOBs would improve the safety, compliance and reliability of its services for its customers. Conversely, if it did not invest, then there would be a risk that inefficient data capture and processing, via inefficient manual processes, could increase the risk of interruption to customers gas supplies.
- 2.8 Cadent requested funding for three workstreams that it considered would transform its operations for MOBs:
- Workstream 1: Update to G5 Edition 3 policy.

- Workstream 2: Requirement to capture data and digitalise asset management processes for new classes of MOBs.
- Workstream 3: Requirement to track and report on new types of operational activity, not previously in scopes.

2.9 For its optioneering, Cadent considered:

- Do nothing.
- Automation and procurement of new IT.
- Automation and reuse of IT (Preferred).
- Defer evolutionary solution.

2.10 Our Draft Determination supported Cadent investing in new technology to improve how it captures data more broadly across more categories of MOBs. This could potentially achieve operational efficiencies and enable Cadent to plan and carry out maintenance work in the MOBs in its network more effectively. However, we concluded that this appears to be a business-as-usual project. Updates to standards are common throughout price control cycles and it is up to individual network companies to decide which voluntary standards to align to and when to align to them. All networks are funded via the RIIO-2 baseline allowances to ensure they have the resources required to keep their customers safe and this is a core element of being a network operator. Therefore, our Draft Determination was to reject the full amount requested (£3.59m).

Cadent's response to our Draft Determination

2.11 Cadent's response highlighted that, whilst it was pleased that we support the needs case, it disagrees with our Draft Determination to reject additional funding for the project.

2.12 Cadent set out its disagreement, based on two key points:

1. The G5 IGEM standard is not a voluntary standard, and
2. The project is not business-as-usual.

2.13 For the first point, Cadent has clarified that it has adopted the G5 IGEM standard as it is the authoritative best practice for managing MOBs, it has been developed by gas industry professionals, the fire service, and in consultation with the Health and Safety Executive. Cadent elaborated that improving the quality and consistency of the MOBs asset data it collects and consolidates is pivotal to ensuring the correct downstream management of those assets. Finally, Cadent

explained that this project aligns with its digitalisation strategy and will help to create a resilient, robust, and enduring solution for the future.

- 2.14 For the second point, Cadent has explained that the MOB's transformation project was not foreseeable when it submitted its RIIO-2 Business Plan, and therefore costs associated with the project were not included in its baseline allowances.
- 2.15 Cadent elaborated that without the further funding requested it would need to implement short term sub-optimal solutions which would require additional manual checks and risk compliance against its standards.
- 2.16 Cadent concluded that the re-opener includes "the licensee identifying activities capable of improving the efficiency or performance of its Non-operational IT capex" and therefore the scope of this project is in line with the intended scope of the re-opener as it will build digital capabilities, drive data analytics and present opportunities for operational efficiencies.

Our Final Determination

- 2.17 As set out in our Draft Determination, we can see why Cadent has reviewed, selected and adopted the standard and we are encouraged by Cadent's stated commitment to adopt industry best practice standards. We can see why Cadent believes that it should adopt the standard to manage its stakeholders in the most appropriate way. However, it is a standard that Cadent has chosen to align to and it is not something that has been externally imposed on it, so we disagree on the point that it is not voluntary.
- 2.18 In terms of baseline allowances, we are aware and agree that Cadent was not specifically funded for this specific project in its baseline allowances. However, as set out in our Draft Determination, the baseline allowances do not specify the funded activities to that level of granularity. There will be some activities that, during the price control period, Cadent can undertake at a lower cost than was anticipated. Likewise, there will be some activities that cost more than Cadent anticipated. We consider that this project is one of the latter, where although this specific standard may not have been foreseen, it forms part of Cadent's broader safety remit and part of its core duty in managing a gas network.
- 2.19 Finally, whilst we can see why Cadent considers that this project aligns with the intent of the re-opener licence conditions, a proposal meeting the application criteria in the licence does not automatically mean that it is efficient for consumers to fund that proposal.

2.20 In conclusion, we continue to consider that this is a business-as-usual activity and are therefore rejecting to provide additional funding for this project.

Table 2: Final Determination on Project 2

Cadent proposal	Our Draft Determination	Our changes following consultation	Our Final Determination
£3.59m	£0.00m	£0.00m	£0.00m

Cadent Project 3: Final Determination

Section summary

This section summarises Project 3 (Street Manager API): our Draft Determination, Cadent's response to it and our Final Determination.

Summary of our Draft Determination

- 2.21 In its submission, Cadent explained that each year the Department for Transport (DfT) updates the Street Manager¹⁵ Application Programming Interface (API) which handles data submissions for street work activities from utility companies like Cadent. New specifications for the API are published around February and implemented around May, at which point the old API is discontinued¹⁶.
- 2.22 Cadent concluded that it needed additional investment to ensure that it can maintain compliance with the API specification, without which it would no longer be able to use the API as it would not have the resources to update it.
- 2.23 Cadent considered that investing in the solution would provide benefits to wider society in terms of providing better data to road users, which provides near-real-time updates for satellite navigation systems via up-to-date information from Street Manager. It should also minimise disruption to customers during street-work activities and improve reporting and operational efficiencies.

¹⁵ Street Manager is a service, which must be used by highway authorities and utility companies to apply for street and road work permits, record inspections, and log reinstatements after work is completed. [Plan and manage roadworks - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

¹⁶ [API specification V4.0 - Plan and manage roadworks information \(department-for-transport-streetmanager.github.io\)](https://github.com/department-for-transport/streetmanager)

- 2.24 To reinforce its point, Cadent explained that not investing would mean that it can no longer use the API. This would lead to additional operational costs for employees to manually enter data & inefficiencies in the regulatory reporting processes. It could also lead to additional costs in undertaking site-visits with little prior information, and potentially lead to Fixed Penalty Notices or prosecutions issues by Highway Authorities.
- 2.25 For its optioneering, Cadent split its optioneering into two sets of optioneering decisions, to address two different needs cases.
- 2.26 Optioneering part 1 (funding API upgrades):
- Do nothing.
 - Replace API with manual processes.
 - Maintain currency with Street Manager API version (preferred).
 - Delay until RIIO-3.
- 2.27 Optioneering part 2 (funding a Work Management System (WMS) solution):
- Do nothing/continue with manual processes.
 - WMS solution – off the shelf (preferred).
 - APIs for Reinstatement Partners.
 - Delay until RIIO-3
- 2.28 Our Draft Determination stated that we could see clear benefits that DfT's Street Manager service provides to Cadent's stakeholders and wider society, and the API appeared to be both best practice and the best way of managing notifications to this service. We agreed with Cadent's optioneering for upgrades to the Street Manager API (option 1) as it would provide best value for money. Conversely, we did not agree with Cadent's optioneering for a Work Management System (option 2) as it was not clear how it would provide value for money to consumers.
- 2.29 However, we concluded that this project appears to be a business-as-usual regulatory obligation that Cadent is required to meet and has been meeting for several years. Cadent is funded to meet such obligations via its baseline RIIO-2 allowances. This does not appear to be a new or unforeseen project and therefore does not require additional allowances via the re-opener mechanism. Therefore, our Draft Determination was to reject the full amount requested (£2.48m).

Cadent's response to our Draft Determination

2.30 Cadent disagreed with our Draft Determination to reject funding for the project. Cadent explained that its disagreement was based on two key points:

- Street Works costs were not included in Ofgem's Totex regression, so were assessed separately using a methodology that did not consider changes in legislation.
- Cadent did not have detail on the legislative changes that would be implemented during the price control period.

2.31 Additionally, Cadent did not agree with our optioneering for the Work Management Solution (option 2) for two key reasons:

- Cadent's 'do nothing' option does not provide a compliant solution for the needs case, as the manual option is not an adequate control to manage the risk of compliance.
- Ofgem's assessment does not place appropriate value on the wider digitalisation benefits, which would reduce the financial penalties incurred by Cadent and enable Highway Authorities to better monitor Cadent's performance.

Our Final Determination

2.32 In terms of the optioneering, we can see why Cadent considers that its existing process is leading to non-compliance with its obligations and does not align with its wider digitalisation benefits. We support digitalisation across the sector and have invested significant levels of consumer funding in digitalisation. But for this specific issue digitalisation is likely to cost orders of magnitude more than investing in additional manual resourcing, which could adequately mitigate the issue even if it does not provide the optimum solution for Cadent.

2.33 More broadly, like Project 2, we are aware of and agree that Cadent was not funded for this specific activity in its baseline allowances. However, this type of activity is a core element of managing a gas network business so is funded by the overall baseline Totex allowances awarded to Cadent.

2.34 For these reasons we continue to consider that it is not in the interests of consumers to provide additional funding for this project. So, we are maintaining our Draft Determination position.

2.35 **Table 3:** Final Determination on Project 3

Cadent proposal	Our Draft Determination	Our changes following consultation	Our Final Determination
£2.48m	£0m	£0m	£0m

Cadent Project 4: Final Determination

Section summary

This section summarises Project 4 (Network Emissions Management): our Draft Determination, Cadent's response to it and our Final Determination.

Summary of our Draft Determination

- 2.36 Cadent explained in its submission that in 2022/23 its shrinkage emissions totalled 1,046 GWh, which resulted in approximately £54m of gas procurement that could have been avoided. In addition to the environmental benefits of reducing methane emissions, Cadent considers reducing leakage would have benefits in terms of safety, reduced workloads for its staff and a reduction in phone calls to report leaks.
- 2.37 In explaining the current process for calculating emissions from the mains network, Cadent explained that the current leakage model uses leakage rates from National Leakage Tests undertaken in 2002. This assumes that all mains of a similar type, operating at the same pressure, leak at the same rate. Cadent considers that this is a suitable method for determining an overall leakage picture for a given network, but it does not provide the granular detail needed to drive asset management decisions.
- 2.38 For its optioneering, Cadent considered:
- Do nothing.
 - Expansion of leakage surveys.
 - Deploy vehicle-based detection technology for proactive management (preferred).
 - Defer until RIIO-3.
- 2.39 Our Draft Determination position was that action to reduce methane leaks is an important issue, as it reduces costs for consumers, reduces emissions that are

harmful to the climate, and can improve customer safety and satisfaction. We also agreed with Cadent's optioneering. However, the project appeared to have very marginal benefits compared to the significant upfront costs (£14.4m). In addition, we had concerns regarding an overlap in funding between this project and the Digital Platform for Leakage Analytics (DPLA) project funded under the Strategic Innovation Fund (SIF). We proposed that Cadent completed the DPLA project first before and used the learnings from that to improve its plans for this project. Therefore, our Draft Determination was to reject the request for additional funding for this project at this time (£14.4m).

Cadent's response to our Draft Determination

2.40 Cadent disagreed with our Draft Determination to reject funding for the project. Cadent provided further information on four key points:

- Delaying until RIIIO-3: Cadent explained the project should not be delayed because it would impede the predicted 77,000 tonne reduction in CO₂e emissions by 2030 and would also reduce the financial benefits, which Cadent estimates to be approximately £19m.
- Non-marginal benefits: Cadent stated the overall benefits would be far greater than Ofgem understood them to be (£2m), with a value of £65m when scaled up across all its network areas.
- Carbon pricing: Cadent explained that it has correctly used the Department of Energy Security and Net Zero (DESNZ) advised tCO₂e price (£230/tCO₂e) to undertake its Cost Benefit Analysis, and not the traded cost of carbon value (£50/tCO₂e) that we referenced.
- Funding overlap: Cadent stated that this project does not overlap with the DPLA SIF project. Cadent explained that the DPLA project will create an IT platform to analyse input data from sensors in the network of both emissions, pressure and flow within the network. Before this project began a trial of leakage measurement technology was required. One such technology was the Non-Invasive Vehicle Mounted Technology (NIVMT). Cadent explained that the NIVMT could deliver benefits in advance of (and in fact without) the implementation of DPLA and benefits will increase further once the DPLA platform is implemented. Cadent states that for these reasons there is not an overlap and customers will not pay for anything twice, as summarised in

Table 4.

Table 4 Cadent's summary of differences between DPLA and NIVMT projects

	DPLA project	NIVMT implementation
Scope	All gas distribution and transmission network assets	Gas distribution mains and services
Purpose	Platform to compute multi-source data inputs to succeed Shrinkage and Leakage Model and provide detailed insight to network operators	Measure emission from mains and services – data source
Innovation funding source	SIF	Cadent totex-allowances

Our Final Determination

- 2.41 Our Draft Determination focused on two core issues that led to our decision to reject funding: a marginal cost benefit analysis and a potential overlap between this project and the DPLA.
- 2.42 We now have a clear estimate from Cadent that it has calculated there could be £19m in social-cost-of-carbon benefits of undertaking this project now, in addition to wider benefits such as contributing towards the UK's commitment to the Global Methane Pledge. We can see Cadent's point regarding our use of the traded cost of carbon at the current spot price, however this was not a formal CBA for decision making and it was used simply to highlight the relative cost of mitigating carbon emissions in this project against other projects elsewhere in the UK economy.
- 2.43 While Cadent have advised that there is no overlap between this project and the DPLA, we have identified potential discrepancies regarding conducting vehicle-based sensor trials and will work with Cadent to understand this further.
- 2.44 Additionally, Cadent's proposal for this project also included costs for an IT integration platform, which would analyse the data gathered from the NIVMT and integrate it into Cadent's system. Cadent stated that the new platform could be used beyond the application of the car sensors, so would have re-use opportunity with different technologies. However, it is not clear why this new IT integration platform would continue to be beneficial if the DPLA is rolled out given that will be used to compute multi-source data inputs. It is therefore not clear why it would be value for money for consumers to fund the development of the bespoke IT integration platform proposed through this project, rather than use the supplier's existing system.

- 2.45 We can see a clear case for investing ahead of RIIO-3 in the car sensors proposed as part of this project to identify leaks and enable Cadent to better manage methane emissions, which is a potent greenhouse gas. But we still have concerns about the overlap between the IT integration platform proposed as part of this project and the DPLA – for which consumers have already committed approximately £10m via the SIF.
- 2.46 Cadent has not fully resolved our concerns here, so our Final Determination is to maintain our consultation position of rejecting additional funding for this project at this time. However, we will work with Cadent to explore whether the NIVMT proposals within the project could be clearly separated from the development of a second IT integration platform to remove any duplication with the DPLA and reduce the cost to consumers. If so, we would be willing to consider whether a proposal focused on rolling out NIVMT would be appropriate to be assessed through the Net Zero Pre-construction and Small Projects (NZASP) Re-opener¹⁷, to enable Cadent to start using this beneficial technology ahead of RIIO-3.

Table 5: Final Determination on Project 4

Cadent proposal	Our Draft Determination	Our changes following consultation	Our Final Determination
£14.4m	£0m	£0m	£0m

Cadent Project 5: Final Determination

Section summary

This section summarises Project 5 (Interoperability): our Draft Determination, Cadent's response to it and our Final Determination.

Summary of our Draft Determination

- 2.47 The project was initially submitted in the January 2023 re-opener window as part of a wider project aimed at improving Cadent's maturity with the Data Best

¹⁷ The NZASP Re-opener is a re-opener mechanism that can be triggered by the Authority where pre-construction work or other projects have been identified that will support the achievement of Net Zero Carbon Targets, which would likely be a more suitable for an emissions reduction project than the Non-Operational IT Capex Re-opener.

Practice Guidance.¹⁸ Our Decision¹⁹ agreed with the other workstreams proposed by Cadent, but we concluded that Cadent had not provided sufficient evidence that this Interoperability workstream should be funded.

2.48 In this submission, Cadent has re-submitted the interoperability workstream with additional evidence.

2.49 Our Draft Determination was that Cadent had gathered the information requested and provided significant additional information to evidence its position that its project would provide significant benefits for numerous stakeholders, as well as provide synergies with its existing data projects such as its data portal. Furthermore, Cadent provided a granular level of detail for its costs which we concluded were efficient and represent good value for money. For these reasons, our Draft Determination was to award the full amount requested (£1.01m).

Cadent's response to our Draft Determination

2.50 Cadent's consultation response agreed with our proposal to award full funding for this project.

Our Final Determination

2.51 Given no evidence was presented to dispute our Draft Determination position, and the sole response from Cadent supports our position, we are awarding the full allowances proposed in our Draft Determination.

Table 6: Final Determination on Project 5

Cadent proposal	Our Draft Determination	Our changes following consultation	Our Final Determination
£1.01m	£1.01m	£0.00m	£1.01m

¹⁸ [Data Best Practice Guidance v1.pdf \(ofgem.gov.uk\)](#)

¹⁹ [Cadent Non-Operational IT Capex Re-opener Final Determination \(ofgem.gov.uk\)](#)

3. NGET Final Determination

NGET Project 1: Final Determination

Section summary

This section summarises Project 1 (Data Portal): our Draft Determination, NGET's response to it and our Final Determination.

Summary of our Draft Determination

- 3.1 In its submission, NGET stated it required modernisation of its Data Architecture.²⁰ The current model uses big, complex data platforms that makes connecting, enriching and consuming data difficult. NGET explained the required modernisation would be to remove the inherent constraints from its current model, support real-time data requirements, and provide stakeholders and consumers with simple, direct and easy access to NGET data and insights.
- 3.2 NGET identified two key elements to address the needs case:
- Data Portal Infrastructure and
 - Data Product Acceleration.
- 3.3 NGET explained the Data Portal Infrastructure is the platform and services which enable the creation, enrichment and access to data ensuring that consumers and stakeholders have full visibility of available insights. NGET wants to create a single, unified data platform using Data Fabric to update the Data Architecture. Data Fabric would integrate various data sources and avoid future creation of disconnected, resource dependent, and expensive technical components of a traditional data platform.
- 3.4 NGET explained Data Product Acceleration would ensure it provides good data governance, quality and accelerate the creation of the value-added data products which aid decision making, reporting, transparency and insight.
- 3.5 For its optioneering, NGET considered:
- Do nothing.

²⁰ 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.

- Buy: Data Fabric components as Software as a Service purchased from the market, via NGET's existing contracts – preferred.
 - Hybrid: use open source to provide portal component, without a fabric or advanced security controls.
 - Build: create an in-house capability to develop and enhance Data Fabric and content.
- 3.6 In our Draft Determination, we agreed with NGET's presented needs case to update its data architecture using Data Fabric and supported its option to buy a fully integrated Data Fabric. We considered that this option had the lowest risk and provided the best value to the consumer. Overall, Data Fabric should 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 would help ensure NGET fulfils its obligations, improve availability and quality of data, and to add value to relevant data consumers.
- 3.7 Our cost assessment of the project concluded that the proposed costs for Data Fabric were reasonable. However, we were concerned that the costs for Data Product Accelerator were high.
- 3.8 Therefore, our Draft Determination concluded that NGET should be funded to implement Data Fabric first as this would familiarise NGET with the new architecture and give a fuller understanding of its maintenance and development needs. We could see the value in Data Product Accelerator, but we considered NGET would benefit from lessons learned throughout design, procurement, and implementation of Data Fabric to more accurately estimate its costs and provide best value for consumers. As it would be a desirable addition, we proposed the implementation of Data Product Accelerator should form part of NGET's business plan for RIIO-3 once Data Fabric had been established.
- 3.9 For these reasons, our Draft Determination was to award the amount requested for Data Fabric alone (£4.076m).

NGET's response to our Draft Determination

- 3.10 NGET's consultation response agreed with our position on Data Fabric.
- 3.11 NGET provided further clarification on Data Product Accelerator and its necessity to deliver data products, stating that without Data Product Accelerator there would be no data products in the catalogue, internally or externally.

- 3.12 NGET emphasised that Data Product Accelerator would enhance the maturity of Data Fabric through greater data connectivity and transparency, building foundational data products and meeting obligations faster and easier. NGET also included the impacts of delaying Data Product Accelerator on Fabric maturity, foundational data products and wider industry initiatives.
- 3.13 In the written response to our Draft Determination, as well as in two meetings during the consultation period, NGET explained that our proposed price control deliverable could not be fully achieved without Data Product Accelerator. NGET provided a series of options in relation to Data Product Accelerator:
- Option 1: reinstate full funding (£2.73m) - preferred.
 - Option 2: provide partial funding (£1.82m).
 - Option 3: defer funding (£0m) to RIIO-3 business plans, as proposed in our Draft Determination.
- 3.14 NGET told us it is keen to deliver Data Products to realise value and benefits to consumers and the wider industry. Option 2 acknowledges the need to ensure equitable progress across the industry. Like option 1, option 2 will enable the development of Data Products but at reduced volumes. NGET have stated that all product builds will be based on priority either for internal use or to service external needs.

Our Final Determination

- 3.15 After further clarification on the role and purpose of Data Product Accelerator, we now agree with NGET that Data Product Accelerator is required to build data products, and this should be available now alongside Data Fabric to deliver value to consumers and industry quicker. Funding Data Product Accelerator now would help to release benefits such as:
- building data products.
 - enhancing the maturity of Data Fabric through greater data connectivity and transparency.
 - enabling continued enrichment of asset data and data products which allows NGET to deliver continuous and prioritised value and insights to data consumers at an accelerated pace.
 - advancing maturity with Data Best Practice.
 - supporting the energy transition by building data products in parallel to physical products.

- 3.16 Overall, the benefits brought by Data Product Accelerator will enhance the platform and capabilities of Data Fabric and generate data products to deliver value to consumers by reducing the longer-term overhead of data sharing.
- 3.17 We can see that NGET has taken on board our feedback to reduce costs and to ensure a fair and level progression of capability across the industry. We are satisfied with its proposal to reduce the volume of data products built, thus reducing its initial request by £0.91m. Furthermore, option 2 aligns better with the current industry pace whilst enabling NGET to continue to develop data products and realise value and benefits to the consumer and industry. For this reason, **we have decided to award an additional £1.82m.**
- 3.18 NGET acknowledged our increase of its risk allowance to 7.5% to align with similar projects but also expressed its concerns with regards to a blanket 7.5% risk allowance. We maintain the view that a 7.5% risk allowance is appropriate and aligns with the wider price control.
- 3.19 To help ensure this project provides good value for money, our allowances for this project will be attached to the Price Control Deliverables as set out in the Direction (Appendix 2).

Table 7: Final Determination on Project 1

NGET proposal	Our Draft Determination	Our changes following consultation	Our Final Determination
£6.70m	£4.08m	+£1.82m	£5.90m

4. SHET Final Determination

SHET Project 1: Final Determination

Section summary

This section summarises Project 1 (Integrated Project Management): our Draft Determination, SHET's response to it and our Final Determination.

Summary of our Draft Determination

- 4.1 The project was initially submitted in the January 2023 re-opener window and our Decision²¹ concluded that we agreed with SHET's need case and agreed that delivering the IPM project was the correct option to address the needs case. We stated that SHET should resubmit the project in the following re-opener window (September 2023) for a final decision, as this would provide SHET with the time necessary to:
- Finalise the product selection activity and, having selected the product, undertake an analysis of the solution to determine the scope to be delivered (with final cost estimates) in the remainder of the T2 period.
 - Once the scope is determined, work with us to develop proposals for PCDs that are measurable, achievable and that help to mitigate remaining risks and uncertainties.
- 4.2 SHET's latest submission addressed our two points and re-valued its proposals at £10.13 million, a reduction of approximately £1 million on original estimates of £11.05 million. SHET progressed several activities during the 6 months since its initial submission to provide certainty and confirm the architectural design, product selection and the resources required to execute the delivery. Thus, reducing costs and increasing confidence in timeline for delivery. SHET has addressed our two specific asks:
- SHET's selected product for IPM is cloud-based Oracle Unifier platform using a new software package as the Systems integrator. The integration platform has also been selected as Azure in alignment with SHET's Digital IT roadmap.
 - SHET identified a Price Control Deliverable (PCD) to mitigate risks and uncertainties and ensure that the project delivers good value for money.

²¹ [SHET Non-Operational IT Capex Re-opener Final Determination \(ofgem.gov.uk\)](https://www.ofgem.gov.uk/shet-non-operational-it-capex-re-opener-final-determination)

- 4.3 Our Draft Determination for this latest submission concluded that we were satisfied with SHET's efforts: undergoing a 6-month regulated tender to select a product and also confirmed support, licensing and build costs; selected a System Integrator and Integration platform; completed an 8-week discovery phase; and recruited 3 new members of internal staff to ensure costs were reliable and efficient.
- 4.4 In addition, we used SHET's proposed PCD and added further deliverables presented in Chapter 9 of its submission to create a PCD which will help to ensure good value for money is achieved.
- 4.5 Our Draft Determination was to award the full amount requested (£10.13m).

SHET's response to our Draft Determination

- 4.6 SHET responded to our consultation and agreed with our Draft Determination for the project.

Our Final Determination

- 4.7 Given no evidence was presented to dispute our Draft Determination position, and the sole response from SHET supports our position, we are awarding the full allowances proposed in our Draft Determination.

Table 8: Final Determination on Project 1

SHET proposal	Our Draft Determination	Our changes following consultation	Our Final Determination
£10.13m	£10.13m	£0.00m	£10.13m

- 4.8 To ensure good value for money is achieved, our proposed allowances for this project will be covered by a single Price Control Deliverable (PCD).
- Delivery of the Integrated Project Management solution to provide a single platform facilitating data and integration design, data cleansing and the schedule management, cost management (Project and IPM), risk management and change management of Large Capital Projects.
- 4.9 This PCD will have the delivery date of 31 March 2026, to align with the end of RIIO-2 period.

SHET Project 2: Final Determination

Section summary

This section summarises Project 2 (Control Centre Recovery Phase 2): our Draft Determination, SHET's response to it and our Final Determination.

Summary of our Draft Determination

- 4.10 In its submission, SHET explained that it required investment towards a geographically separate, remote controlled Disaster Recover Control Centre to act as a full back-up for its main control centre.
- 4.11 SHET stated further investment in RIIO-T2 would provide solid foundations to meet its Control Centre objectives in RIIO-T3. In this submission, SHET states this investment is aimed to:
- Increase focus and clarity of risks of a high impact scenario on electrical infrastructure, to reduce vulnerability and maximise security.
 - Make a strategic change to SHET's operational model to meet increasing operational complexities, stemmed from the growth of decarbonisation.
- 4.12 For its optioneering, SHET considered:
- Do nothing.
 - Defer to RIIO-T3.
 - Deliver the project now – preferred.
 - Accelerate the control centre strategy.
 - Expand the existing DR control centre.
- 4.13 Our Draft Determination concluded that the project should be undertaken and that this should be during RIIO-2 as it would help to:
- Increase resilience and reliance, mitigating the risks associated from proximity to the main site and the overall growth of SHET.
 - Allow SHET to better adapt and better control the rapid change of pace across the energy landscape from increasing additions of assets being built on the transmission network.
- 4.14 We concluded that SHET's proposed costs were efficient and therefore our Draft Determination was to award the full amount requested (£2.36m).

SHET's response to our Draft Determination

4.15 SHET responded to our consultation and agreed with our Draft Determination for the project.

Our Final Determination

4.16 Given no evidence was presented to dispute our Draft Determination position, and the sole response from SHET supports our position, we are awarding the full allowances proposed in our Draft Determination.

Table 9: Final Determination on Project 2

SHET proposal	Our Draft Determination	Our changes following consultation	Our Final Determination
£2.36m	£2.36m	£0.00m	£2.36m

SHET Project 3: Final Determination

Section summary

This section summarises Project 3 (Transmission Time Management solution): our Draft Determination, SHET's response to it and our Final Determination.

Summary of our Draft Determination

- 4.17 In its submission, SHET explained that its current Time Management (TM) system is old, and now technically obsolete, requiring extensive support. SHET stated significant growth experienced in staff numbers, business complexity and Regulated Asset Value (RAV) have put additional strain on the existing system and risks associated with system downtime.
- 4.18 To address the need, SHET requested investment towards a new single user centred Transmission Time Management (TTM) system that would be used by all SHET staff and contractors, excluding directly costed field-based employees. SHET stated the use of the new TTM system should equate to lower costs associated with reduced manual data entry and reduced unplanned system outage. Moreover, SHET stated during business growth, it estimated that up to 0.5% of annual staff costs could be saved per year.
- 4.19 For its optioneering, SHET considered:
- Do nothing.

- Defer to RIIO-T3.
 - Deliver the project now – preferred.
- 4.20 Our Draft Determination concluded that SHET’s need case presented some weakness regarding growth in RAV relating to additional strain and risk. In addition, we assessed that the costs presented were not at the best cost to the consumer. We could see areas in its submission that would benefit from initiating a procurement process. Furthermore, we were unsure of SHET’s predicted financial benefits of up to 0.5% of annual staff costs as it appeared benefits could vary and fluctuate, and therefore could not be guaranteed. For these reasons, our Draft Determination was to reject the full amount requested (£1.59m).
- 4.21 We recommended that if SHET considered this project was still worth pursuing, that it could build it into its business case for the next price control period with two crucial elements:
- Further evidence to support efficient costs.
 - Better confirmed financial benefits.

SHET’s response to our Draft Determination

- 4.22 SHET responded to our consultation and understood our Draft Determination for the project. SHET stated it will consider our feedback carefully ahead of its planned RIIO-T3 Business Plan Submission.

Our Final Determination

- 4.23 Given SHET’s response states that it understands our Draft Determination position and will consider our feedback, we are maintaining our position to reject and award no additional funding for this project, as proposed in our Draft Determination.

Table 10: Final Determination on Project 3

SHET proposal	Our Draft Determination	Our changes following consultation	Our Final Determination
£1.59m	£0.00m	£0.00m	£0.00m

SHET Project 4: Final Determination

Section summary

This section summarises Project 4 (Acceleration of Digitisation): our Draft Determination, SHET's response to it and our Final Determination.

Summary of our Draft Determination

- 4.24 In its submission, SHET explained that its licence obligations require it to share quality standardised data in a more automated way across the energy industry whilst protecting the security, resilience and privacy of those data.
- 4.25 SHET reported that a portion of its overhead line asset engineering design data is not digitised and is stored in offline storage. This does not support SHET's desire to become a fully digitised data driven business and means that the data cannot be easily accessed by internal and external stakeholders. To address this challenge SHET wanted to standardise the level of digitisation it has on its overhead lines to record both existing and new networks. SHET aims to provide access, internally and externally, to these digital models and assets from the transmission network. To achieve this, SHET stated it would require engagement with a third-party provider to survey the overhead line and provide digital models of the assets into SHET's owner platforms.
- 4.26 For its optioneering, SHET considered:
- Do nothing.
 - Defer to RIIO-T3.
 - Deliver the project now – preferred.
- 4.27 Our Draft Determination concluded that we agreed with SHET that rapidly digitising its capabilities now as a single activity rather than on an ad hoc basis, would have clear safety and financial benefits because there will be reduced site visits and mobilisation costs. It should also enable SHET to meet its goal of becoming a fully digital data driven business, as well as improving its position with Ofgem's Data Best Practice guidance. Our assessment of the costs concluded the project had been appropriately benchmarked and had been costed at efficient rates.
- 4.28 Our Draft Determination was to award the full amount requested (£0.95m).

SHET's response to our Draft Determination

4.29 SHET responded to our consultation and agreed with our Draft Determination for the project.

Our Final Determination

4.30 Given no evidence was presented to dispute our Draft Determination position, and the sole response from SHET supports our position, we are awarding the full allowances proposed in our Draft Determination.

Table 11: Final Determination on Project 4

SHET proposal	Our Draft Determination	Our changes following consultation	Our Final Determination
£0.95m	£0.95m	£0.00m	£0.95m

5. SGN Final Determination

SGN Project 1: Final Determination

Section summary

This section summarises Project 1 (HR Transformation): our Draft Determination, SGN's response to it and our Final Determination.

Summary of our Draft Determination

- 5.1 In its submission, SGN stated it required radical modernisation of its HR capabilities to adjust to unprecedented and unforeseen circumstances such as COVID-19 and what SGN called an ensuing "great resignation" (undefined by SGN). SGN stated these circumstances have altered how existing employees and potential new recruits must be handled, and have impacted its ability to recruit, train and retain competent staff in the volumes required to meet its licence obligations.
- 5.2 Despite undergoing upgrades to its core HR processes and systems in early RIIO-GD2, SGN believe that it required further upgrades.
- 5.3 For its optioneering, SGN considered:
- Do nothing.
 - Enhance its existing back-office supporting systems - preferred option.
 - Replace its core supporting systems and re-engineer its back-office estate.
- 5.4 Our Draft Determination explained that we understood SGN's intention to overcome and future-proof its business going forward. We could see that from an efficiency perspective, increasing digitalisation within the business would be advantageous. However, our Draft Determination position was that we could not see that upgrades of the scale proposed were required in the current RIIO-GD2 price control period²².
- 5.5 We were not convinced by SGN's justification of the root causes towards the desired modernisation. In addition, it was not clear to us what the benefits of the previous upgrades have been, and therefore the scale of the 'gap' between what business-as-usual investment is and what SGN had already implemented. Thus, it

²² [Network price controls 2021-2028 \(RIIO-2\) - Gas distribution price control 2021-2026 \(RIIO-GD2\) | Ofgem](#)

was not clear the scale of the adjustments required after the early RIIO-GD2 modernisation of SGN's HR capabilities, and it was difficult for us to understand what benefits additional investment would achieve in this area. Furthermore, SGN's need case did not demonstrate the benefits for consumers and stakeholders, which is a particular area we look for when awarding additional allowances.

- 5.6 Using internal benchmarks, our assessment of the costs concluded that they were not efficiently costed and were largely driven by expensive external contractor staff and third-party costs. Our minded-to position was that SGN's approach was expensive and not suitable to support an evolving workplace, so did not appear to represent good value for money for consumers. In addition, SGN requested a 20% risk allowance which was disproportionately high compared to similar projects which suggested that the project was not of sufficient maturity.
- 5.7 The combination of a relatively poor needs case and high costs meant that our Draft Determination was to reject the full amount requested (£7.42m).
- 5.8 We recommended that if SGN considered this project was still worth pursuing, that it should build it into its business case for the next price control period with two crucial elements:
- A clear explanation of the benefits for consumers for funding this project.
 - Explanation of how costs would be minimised to drive maximum value.

SGN's response to our Draft Determination

- 5.9 SGN's response recognised the conclusions that we drew from its submission in our draft determination, and provided further information to demonstrate why it considered the project to be worth funding during RIIO-2.
- 5.10 To address our concerns, SGN provided further information on three main areas:
- the specific system upgrades performed in early RIIO-GD2 as per the original business plan.
 - achievements under its existing business-as-usual plan.
 - detailed impacts brought by COVID such as higher sickness, greater overtime and increased churn which results in using contractors to supplement the loss of senior professionals (>10 years).
- 5.11 Early RIIO-GD2 upgrades included implementation of a Learning Management System (LMS) which delivered e-learning courses, creation of a bespoke module

- within LMS to replace its inept competency assurance system and a technical upgrade using a new software package to ensure resiliency and security.
- 5.12 SGN state LMS upgrades have been successful in transitioning to a blended learning approach, using online resourcing instead of traditional classroom learning, which is more cost and time efficient. In addition, SGN states the upgrade to the new software package has also been successful in delivering the security upgrade and resiliency of service.
- 5.13 SGN provided evidence to support the effective utilisation of early RIIO-GD2 upgrades were improving its positioning with retention. For example, SGN has undergone a recruitment drive for 600 frontline staff and over the last 12 months the attrition rate is 2.5%. This is a reduction from pre and post COVID rates at 6.9% and 10.4% respectively, with 43% leaving within the first year. Albeit SGN expects rates to increase after staff complete their training.
- 5.14 SGN also responded to our stance on benefits and costs in paragraph 5.8 above. SGN stated that the core benefits to its consumers and stakeholders will come from a better all-round service. To achieve a better all-round service SGN wants to improve employee experience by targeting well-being, training and digitisation. Optimising these areas would improve quality, safety, productivity of its staff which in turn improves efficiency, continuity of quality and minimises costs and disruption on its customers.
- 5.15 SGN responded to our position on its costs not representing good value for money for consumers and that the requested risk allowance at 20% was high. Since the original submission, SGN explained that other internal IT programmes have been established which has significantly reduced the risk or surplus resourcing and it has amended the resourcing model to include more internal resources compared to its submitted plan. This has reduced the total labour costs by 31% from £4.41m to £3.03m. Regarding the risk allowance, SGN has told us that it has gained sufficient maturity since the original submission to better assess and mitigate the key risk areas. This can reduce its risk allowance from 20% to 5.5%. By reducing the total labour costs and risk allowance, SGN could reduce the total requested investment from £7.42m to £4.88m.
- 5.16 However, SGN's response also explained that Green Book²³, issued by HM Treasury to provide guidance on how to appraise policies and projects, recommends that the risk allowance for Equipment/Development project capital

²³ [Microsoft Word - GreenBook optimism bias.doc \(publishing.service.gov.uk\)](#)

costs should fall between 10%–200%. Since the original submission risk allowance was 20%, and is therefore on the lower end of HMT’s range for risk, SGN proposed to retain its 20% risk allowance.

Our Final Determination

- 5.17 SGN has presented in its response what the prior upgrades were and their positive results, the benefits to consumers and stakeholders and a reduction in costs. We appreciate SGN’s diligence to explain benefits (which for this submission are difficult to quantify) and to lower costs.
- 5.18 To address SGN’s point on risk, across RIIO-2 re-opener determinations we applied a capped average risk across projects at 7.5% of our assessed efficient costs, which aligns with the result of the average risk allowance across the RIIO-2 business plan portfolio. We appreciate that for certain projects this average may be higher or lower than the level a company might budget for. However, we are satisfied that our consultation position is appropriate when we consider the full RIIO-2 portfolio.
- 5.19 The difference in purpose between the Green Book estimates and allowance setting needs to be understood in this context. The Green Book estimates are intended to be used for internal budgeting and decision-making purposes, to ensure that organisations are prepared for reasonable case scenarios and to account for optimism bias in forecasts. When used by a commercial organisation, aside from potential opportunity cost (due to overcommitment of finite budgets) or some potential financing costs, there is no cost to an organisation of taking a conservative approach to risk estimation. In the case of publicly funded projects, for which the Green Book is intended to be used, a conservative approach is appropriate as budget over-runs are reputationally damaging and often come at taxpayers’ expense. However, when setting allowances such as in this re-opener, taking a conservative approach to risk allocation comes at a cost to consumers, whilst the network company financially benefits. This is because of the way over-spend and under-spends are shared between consumers and the network company through the Totex Incentive Mechanism²⁴ as well as the inflation related adjustment that is applied to licensee’s allowances.

²⁴ See also our ‘Decision on Three SP Transmission’s 2023 MSIP applications’, paragraphs 2.10 to 2.17, 28 February 2024: <https://www.ofgem.gov.uk/decision/decision-three-sp-transmissions-2023-msip-applications>

- 5.20 Our Draft Determination stated we were not convinced by SGN's justification of the root causes towards the desired modernisation which weakened its needs case. However, SGN's response has reinforced its needs case by providing more detail and clarification regarding the early RIIO-GD2 upgrades and their achievements, the impacts of COVID-19, and benefits for consumers. Thus, having reflected upon SGN's response, we can see the merits of upgrading HR and learning platforms, however, we consider that the proposed costs are still high and do not represent best value.
- 5.21 As earlier upgrades have been successful and are providing positive results, we suggest that SGN continue to maximise the gains from its prior upgrades and continue to monitor their efficiency. We propose that SGN continues to build its case, led by evidence from earlier upgrades, to enable it to continue to refine costs and build it into its GD3 Business plans.
- 5.22 Our Final Determination, set out in **Table 12**, is therefore to continue to reject funding for this project.

Table 12: Final Determination

SGN's original request	Our Draft Determination	SGN's revised request	Our changes following consultation	Our Final Determination
£7.42m	£0.00m	£4.88m	£0.00m	£0.00m

6. WWU Final Determination

WWU Project 1: Final Determination

Section summary

This section summarises Project 1 (Data Best Practice): our Draft Determination, WWU's response to it and our Final Determination.

Summary of our Draft Determination

- 6.1 WWU submitted a request for additional funding of £2.377m during the RIIO-2 price control period to develop its Data Best Practice (DBP) maturity and deliver on its stakeholder priorities. The submission focused on investing in four key systems:
- A data lake to provide a single repository of data to support sharing and analytics.
 - An analytics platform to support data governance and stakeholder requests for processed data.
 - An open data platform to provide easy access to Cadent data, metadata and data catalogues. Also, an easy way for data users to feedback and engage.
 - A consumer database, to provide detailed and regional data on energy usage to support Local Authority Energy Planning, whilst complying with GDPR.
- 6.2 To achieve its outcomes, WWU wants to recruit 13 full-time roles to build and support these four systems.
- 6.3 In our Draft Determination we explained that we could see a strong rationale for investment in the areas identified by WWU, that leverages user needs. We also stated that we consider that WWU has struck the right balance in its request between accelerating its maturity with DBP, whilst not overstretching what it needs to deliver ahead of the next price control period. We were also satisfied that WWU's optioneering for each element correctly address the needs case.
- 6.4 Finally, we analysed WWU's cost breakdown and were satisfied that its costs for resourcing and maintaining its systems (approximately two-thirds of total costs) were reasonable and that the other costs submitted (mainly for capital expenditure on hardware and software) were also efficient. We therefore proposed to fully fund the project.

WWU's response to our Draft Determination

- 6.5 WWU consultation response agreed with our proposal to award full funding for this project.

Our Final Determination

- 6.6 Given no evidence was presented to dispute our Draft Determination position, and the sole response from WWU supports our position, we are awarding the full allowances proposed in our Draft Determination.
- 6.7 To help ensure this project provides good value for money, our allowances for this project will be attached to a Price Control Deliverable (PCD).

Table 13: Final Determination on Project 1

WWU's proposal	Our Draft Determination	Our changes following consultation	Our Final Determination
£2.38m	£2.38m	£0m	£2.38m

WWU Project 2: Final Determination

Section summary

This section summarises Project 2 (Network and Information System): our Draft Determination, WWU's response to it and our Final Determination.

Summary of our Draft Determination

- 6.8 In response to the continuing evolution of the cyber threat landscape for Operators of Essential Services (OES)²⁵, WWU submitted a request for funding to invest in a programme of 11 sub-projects aimed at improving and maintaining the resilience of its infrastructure and applications that are within the scope of the Network and Information System (NIS) regulations²⁶.

²⁵ [Key concepts and definitions | ICO](#)

²⁶ [The NIS Regulations 2018 - GOV.UK \(www.gov.uk\)](#)

- 6.9 We individually assessed the needs case and optioneering for each of the 11 sub-projects²⁷. We concluded that we were satisfied by the needs and options for each presented by WWU.
- 6.10 After analysing the cost breakdown provided for each sub-project by WWU, we asked 10 Supplementary Questions to WWU on specific areas of its costs where we required additional information. We were satisfied with the responses provided by WWU on each of these and were therefore satisfied that the costs provided by WWU are costed efficiently based on responses to our supplementary Questions.
- 6.11 Our Draft Determination concluded that the sub-projects were reasonable and cost efficient, so we did not propose any reductions in WWU's request.

WWU's response to our Draft Determination

- 6.12 WWU consultation response agreed with our proposal to award full funding for this project.

Our Final Determination

- 6.13 Given no evidence was presented to dispute our Draft Determination position, and the sole response from WWU supports our position, we are awarding the full allowances proposed in our Draft Determination.
- 6.14 To help ensure each sub-project is delivered as planned, and therefore provides good value for money, our allowances will be attached to a series of Price Control Deliverables (PCD). For administrative ease, we have grouped the lower value projects together. Each PCD will have the delivery date of 31 March 2026, to align with the end of the RIIO-2 period. As these projects related to Critical National Infrastructure, we have placed the PCDs into a publicly redacted annex (Appendix 5).

Table 14: Final Determination on Project 2

WWU's proposal	Our Draft Determination	Our changes following consultation	Our Final Determination
£17.0m	£17.0m	£0m	£17.0m

²⁷ As the projects are related to Critical National Infrastructure (CNI) our assessment of the needs case and optioneering for each sub-project was redacted in the published version of our Draft Determination.

WWU Project 3: Final Determination

Section summary

This section summarises Project 3 (Public Switched Telephone Network): our Draft Determination, WWU's response to it and our Final Determination.

Summary of our Draft Determination

- 6.15 WWU split this project into two elements, totalling £1.8m in requested investment. Like Project 2 (Network Information Systems), this project refers to Critical National Infrastructure, so our assessment of the needs case and optioneering for this project was redacted in the published version of our Draft Determination.
- 6.16 For the first element, we agreed that there was a clear needs case for investment, as the project was agreed during the original RIIO-2 business plan determination. We agreed with the optioneering with the same train of thought. However, as we had already allocated funding for this project during the Business Plan process, we considered that minor changes to existing programmes should be handled within the existing RIIO-2 process. In particular, the Totex Incentive Mechanism compensates network companies where they incur additional costs within existing programmes, in the same way that it rewards network companies where they incur lower costs or manage to drive efficiencies within existing programmes. Therefore, we proposed to disallow the full £1.21m requested for this additional work.
- 6.17 The second element was a new and unexpected programme of work. We concluded that the project would provide a direct benefit to consumers by maintaining the network pressure at an optimum level that minimises excess emissions. We therefore proposed to fund this element of the project. However, we noted a discrepancy between the costs for project management between the different elements of this project, so we proposed to disallow £39,840.

WWU's response to our Draft Determination

- 6.18 In its response, WWU disagreed with our decision to reject funding for the first element of the project (-£1.21m). WWU explained that it disagreed based on two fundamental reasons:
- the scope of the work changed following the business plan submission, with more sites requiring upgrades than WWU had forecast.

- the type of work changed following the business plan submission, with WWU needing to undertake more work at some sites than it had forecast.
- 6.19 WWU agreed with our decision to fund the second element of the project. However, WWU disagreed with our decision to disallow funding for part of a project manager (£39,940), which we disallowed due to a discrepancy between the costs for a project manager between projects. WWU explained that there is an issue with the labelling caused by rates being shown in a particular table using current prices rather than the 18/19 price base used in the calculations.

Our Final Determination

- 6.20 On the first project element, whilst we can see the case WWU is putting forward, the arguments submitted are essentially restating the case put forwards in the re-opener submission. The nature of the RIIO price control process means that some projects may be delivered at a lower cost than they are funded for, and some may be delivered at a higher cost than they are funded for. But this is a core part of the RIIO process, and it is up to WWU to manage its overall business portfolio in line with the allowances set. On this basis, we have decided to maintain our Draft Determination position of rejecting awarding additional allowances for this element.
- 6.21 On the second element, we can see that the apparent rate discrepancy between project manager costs was due to table labelling, and that the underlying calculations were consistent across projects. We are therefore **reinstating the £39,840 we proposed to disallow in the Draft Determination.**

Table 15: Final Determination on Project 3

WWU's proposal	Our Draft Determination	Our changes following consultation	Our Final Determination
£1.78m	£0.53m	+£0.04m	£0.57m

7. Appendices

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Appendix 1 – Cadent Gas Limited Direction

Direction under Special Condition 3.7.6 of the gas transporter licence held by Cadent Gas Limited (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 3.7.6 to amend Special Condition 3.7 Appendix 1 (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 as a result of:

- i) the licensee identifying further evidence in support of Non-operational IT Capex projects that were included in its Business Plan, but in relation to which no allowance has been provided to date;
- ii) the licensee identifying activities capable of improving the efficiency or performance of its Non-operational IT Capex; or
- iii) any changes to statutory or regulatory requirements relating to 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 7 April 2024. This document included a draft of this direction, as required by Special Condition 3.7.12.

A1.4 The Authority received one non-confidential representation and has placed it on [ofgem.gov.uk](https://www.ofgem.gov.uk). Having considered this representation, the Authority has decided to proceed with making this direction because of the reasons set out in the Final Determination (the main body of this document).

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 RIIO-2 price control framework. Further details on the reasons for and effect of this direction can be found in the Final Determination.

A1.6 This direction will update Special Condition 3.7 Appendix 1.

Special Condition 3.7 Appendix 1

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

	2021/22	2022/23	2023/24	2024/25	2025/26	All years
Re-opener	0.098	0.316	0.614	0.915	0.759	2.702
Allowance	<u>0.268</u>	<u>0.961</u>	<u>0.6961</u>	<u>1.394</u>	<u>1.209</u>	<u>4.5281</u>

A1.7 It will also update Special Condition 3.7 Appendix 2 to remove unnecessary formatting.

Special Condition 3.7 Appendix 2

Non Operational IT Capex Price Control Deliverable (£m)

<u>Regulatory Year</u>								
NOITRE Output Delivery project		date	2021/22	2022/23	2023/24	2024/25	2025/26	Total
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

A1.8 This direction will take effect immediately.

Yours sincerely,

Nathan Macwhinnie

Deputy Director Price Control Operations

For and on behalf of the Authority

Appendix 2 - National Grid Electricity Transmission Plc Direction

Direction under Special Condition 3.7.6 of the electricity transmission licence held by National Grid Electricity Transmission Plc (The Licensee) to add allowances for Non-Operational IT Capex

A2.1 The Gas and Electricity Markets Authority ('the Authority') is issuing a direction under Special Condition 3.7.12 to amend Special Condition 3.7 Appendix 1 (Total Non-operational IT Capex Re-opener allowance).

A2.2 Special Condition 3.7 provides a re-opener mechanism by which the Licensee may seek additional funding during the RIIO-2 price control as a result of:

- i) the licensee identifying further evidence in support of Non-operational IT Capex projects that were included in its Business Plan, but in relation to which no allowance has been provided to date;
- ii) the licensee identifying activities capable of improving the efficiency or performance of its Non-operational IT Capex; or
- iii) any changes to statutory or regulatory requirements relating to Non-operational IT Capex.

A2.3 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.

A2.4 The Authority received one non-confidential representation and has placed it on [ofgem.gov.uk](https://www.ofgem.gov.uk). Having considered this representation, the Authority has decided to proceed with making this direction because of the reasons set out in the Final Determination (the main body of this document).

A2.5 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 RIIO-2 price control framework. Further details on the reasons for and effect of this direction can be found in the Final Determination.

A2.6 Pursuant to Special Condition 3.7.9, the Authority hereby directs the changes to Appendix 1 Special Condition 3.7 as set out in this direction.

Special Condition 3.7 Appendix 1

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

	Regulatory Year					
	2021/22	2022/23	2023/24	2024/25	2025/26	All years
Re-opener Allowance	3.461	-29.271	42.957	25.997	28.718	130.404
	<u>3.461</u>	<u>29.271</u>	<u>45.905</u>	<u>28.945</u>	<u>28.718</u>	<u>136.299</u>

A2.7 This direction will also update Special Condition 3.7 Appendix 2 to include the new Price Control Deliverables.

Special Condition 3.7 Appendix 2

Non Operational IT Capex Price Control Deliverable (£m)

		Regulatory Year						Total
NOITRE project	Output	Delivery date	2021/2	2022/2	2023/2	2024/2	2025/2	
<u>Data Portal</u>	<u>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. Utilising Data Product accelerator to create data products which are defined, described and published to an open marketplace that is easily accessible for stakeholders and consumers.</u>	<u>March- 26</u>	<u>0</u>	<u>0</u>	<u>2.948</u>	<u>2.948</u>	<u>0</u>	<u>£5.895</u>
<u>Scenario product on 1</u>	<u>Creation of scenarios with a functional user interface to allow efficient view of outputs and</u>	<u>31/03/23</u>	<u>0.023</u>	<u>0.019</u>	<u>0.006</u>	<u>0.006</u>	<u>0.006</u>	<u>0.060</u>

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	<u>sensitivities started from at least three operational sources</u>							
<u>Scenario</u>	<u>Creation of scenarios</u>	<u>30/09/2</u>	<u>0.057</u>	<u>0.047</u>	<u>0.015</u>	<u>0.015</u>	<u>0.015</u>	<u>0.150</u>
<u>producti</u>	<u>with a functional</u>	<u>3</u>						-
<u>on 2</u>	<u>user interface to</u>							
	<u>allow efficient view</u>							
	<u>of outputs and</u>							
	<u>sensitivities with</u>							
	<u>artificial</u>							
	<u>intelligence/learning</u>							
	<u>algorithms</u>							
	<u>started from at least</u>							
	<u>90% of systems</u>							
<u>Scenario</u>	<u>Creation of scenarios</u>	<u>31/01/2</u>	<u>0.057</u>	<u>0.047</u>	<u>0.015</u>	<u>0.015</u>	<u>0.015</u>	<u>0.150</u>
<u>producti</u>	<u>with a functional</u>	<u>4</u>						-
<u>on 3</u>	<u>user interface to</u>							
	<u>allow efficient view</u>							
	<u>of outputs and</u>							
	<u>sensitivities with artif</u>							
	<u>icial</u>							
	<u>intelligence/learning</u>							
	<u>algorithms started</u>							
	<u>for at least two</u>							
	<u>national scenarios &</u>							
	<u>ten regional</u>							
	<u>scenarios</u>							
<u>SVOP</u>	<u>Single view of the</u>	<u>30/12/2</u>	<u>0.153</u>	<u>0.125</u>	<u>0.041</u>	<u>0.041</u>	<u>0.041</u>	<u>0.400</u>
	<u>plan</u>	<u>6</u>						-
	<u>decommissioned</u>							
<u>Scenario</u>	<u>The scenario</u>	<u>31/03/2</u>	<u>0.057</u>	<u>0.047</u>	<u>0.015</u>	<u>0.015</u>	<u>0.015</u>	<u>0.150</u>
<u>modellin</u>	<u>modelling tool can be</u>	<u>4</u>						-
<u>g tool</u>	<u>used to support NOA</u>							
	<u>2023/24</u>							

A2.8 This direction will take effect immediately.

Yours sincerely,

Nathan Macwhinnie

Deputy Director Price Control Operations

For and on behalf of the Authority

Appendix 3 – Scottish Hydro Electric Transmission Plc Direction

Direction under Special Condition 3.7.6 of the electricity transmission licence held by Scottish Hydro Electric Transmission Plc (The Licensee) to add allowances for Non-Operational IT Capex

A3.1 The Gas and Electricity Markets Authority ('the Authority') is issuing a direction under Special Condition 3.7.12 to amend Special Condition 3.7 Appendix 1 (Total Non-operational IT Capex Re-opener allowance).

A3.2 Special Condition 3.7 provides a re-opener mechanism by which the Licensee may seek additional funding during the RIIO-2 price control as a result of:

- i) the licensee identifying further evidence in support of Non-operational IT Capex projects that were included in its Business Plan, but in relation to which no allowance has been provided to date;
- ii) the licensee identifying activities capable of improving the efficiency or performance of its Non-operational IT Capex; or
- iii) any changes to statutory or regulatory requirements relating to Non-operational IT Capex.

A3.3 The Licensee applied under Special Condition 3.7.6 in September 2023, and the Authority publicly consulted on its Draft Determination between 14 February 2024 and 13 March 2024. This document included a draft of this direction, as required by Special Condition 3.7.12.

A3.4 The Authority received one non-confidential representation and has placed it on [ofgem.gov.uk](https://www.ofgem.gov.uk). Having considered this representation, the Authority has decided to proceed with making this direction because of the reasons set out in the Final Determination (the main body of this document).

A3.5 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 RIIO-2 price control framework. Further details on the reasons for and effect of this direction can be found in the Final Determination.

A3.6 Pursuant to Special Condition 3.7.9, the Authority hereby directs the changes to Appendix 1 Special Condition 3.7 as set out in this direction.

A3.7 This direction will update Special Condition 3.7 Appendix 1 to include the new amended total of investment awarded.

Special Condition 3.7 Appendix 1

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

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

<u>Regulatory Year</u>							
	<u>2021/22</u>	<u>2022/23</u>	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>	<u>2026/27</u>	<u>All years</u>
<u>Re-opener</u>	<u>0</u>	<u>0</u>	<u>2.383</u>	<u>2.283</u>	<u>1.243</u>	<u>0</u>	<u>5.909</u>
<u>Allowance</u>	<u>0</u>	<u>0</u>	<u>5.923</u>	<u>8.913</u>	<u>4.513</u>	<u>0</u>	<u>19.349</u>

A3.8 This direction will also update Special Condition 3.7 Appendix 2 to include the new Price Control Deliverables.

Special Condition 3.7 Appendix 2

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

<u>Regulatory Year</u>								
<u>NOITRE Project</u>	<u>Output</u>	<u>Delivery date</u>	<u>2021/2</u>	<u>2022/23</u>	<u>2023/24</u>	<u>2024/2</u>	<u>2025/2</u>	<u>Total</u>
<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>System and Network Planning</u>	<u>Completion of System and Network Planning project</u>	<u>before 31-March-26</u>	<u>0</u>	<u>0</u>	<u>1.243</u>	<u>1.243</u>	<u>1.243</u>	<u>3.729</u>
<u>Project TReNDS</u>	<u>Completion of Project TReNDS and demonstration that the learnings have been shared with other relevant network companies</u>	<u>before 31-March-26</u>	<u>0</u>	<u>0</u>	<u>1.14</u>	<u>1.04</u>	<u>0</u>	<u>2.18</u>
<u>Integrated Project</u>	<u>Delivery of the Integrated</u>	<u>31-March-26</u>	<u>0</u>	<u>0</u>	<u>2.48</u>	<u>5.16</u>	<u>2.49</u>	<u>10.13</u>

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<u>Management</u>	<u>Project Management solution to provide a single platform facilitating data and integration design, data cleansing and the schedule management, cost management (Project and IPM), risk management and change management of Large Capital Projects.</u>							
<u>Control Centre Disaster Recovery</u>	<u>Upgrade the duration and capacity of the DR sites capability to support continuous operational control of the Transmission electrical network</u>	<u>31-March-26</u>	<u>0</u>	<u>0</u>	<u>1.06</u>	<u>1.12</u>	<u>0.18</u>	<u>2.36</u>
<u>Acceleration of Digitisation</u>	<u>Digitise all of the overhead line network as a single activity</u>	<u>31-March-26</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.35</u>	<u>0.6</u>	<u>0.95</u>

A3.9 This direction will take effect immediately.

Yours sincerely,

Nathan Macwhinnie

Deputy Director Price Control Operations

For and on behalf of the Authority

Appendix 4 – Wales and West Utilities Limited Direction

Direction under Special Condition 3.7.6 of the electricity transmission licence held by Wales and West Utilities Limited (the Licensee) to add allowances for Non-Operational IT Capex

A4.1 The Gas and Electricity Markets Authority ('the Authority') is issuing a direction under Special Condition 3.7.12 to amend Special Condition 3.7 Appendix 1 (Total Non-operational IT Capex Re-opener allowance).

A4.2 Special Condition 3.7 provides a re-opener mechanism by which the Licensee may seek additional funding during the RIIO-2 price control as a result of:

- i) the licensee identifying further evidence in support of Non-operational IT Capex projects that were included in its Business Plan, but in relation to which no allowance has been provided to date;
- ii) the licensee identifying activities capable of improving the efficiency or performance of its Non-operational IT Capex; or
- iii) any changes to statutory or regulatory requirements relating to Non-operational IT Capex.

A4.3 The Licensee applied under Special Condition 3.7.6 in September 2023, and the Authority publicly consulted on its Draft Determination between 27 March 2024 and 28 April 2024. This document included a draft of this direction, as required by Special Condition 3.7.12.

A4.4 The Authority received one non-confidential representation and has placed it on [ofgem.gov.uk](https://www.ofgem.gov.uk). Having considered this representation, the Authority has decided to proceed with making this direction because of the reasons set out in the Final Determination (the main body of this document).

A4.5 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 RIIO-2 price control framework. Further details on the reasons for and effect of this direction can be found in the Final Determination.

A4.6 This direction will replace the Total Non-operational IT Capex Re-opener allowance in Appendix 1 (the existing table within Special Condition 3.7 Appendix 1) to improve clarity and set out the allowances.

Special Condition 3.7 Appendix 1

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

	2022	2023	2024	2025	2026	Total
Re-opener Allowance	0	0	0	0	0	0

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

	<u>2021/22</u>	<u>2022/23</u>	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>	<u>All years</u>
<u>Re-opener Allowance</u>	<u>0.1</u>	<u>1.9</u>	<u>2.515</u>	<u>8.051</u>	<u>7.4</u>	<u>19.966</u>

A4.7 This direction will also update Special Condition 3.7 Appendix 2 to include the new Price Control Deliverables.

Special Condition 3.7 Appendix 2

Non Operational IT Capex Price Control Deliverable (£m)

			<u>Regulatory Year</u>					
<u>NOITRE</u>	<u>Output project</u>	<u>Delivery date</u>	<u>2021/22</u>	<u>2022/23</u>	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>	<u>Total</u>
<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>Data Best Practice re-opener</u>	<u>Data integrations and aggregation platform; data analytics platform; open data platform and consumer database solution</u>	<u>31 March 2026</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1.2</u>	<u>1.2</u>	<u>2.4</u>
<u>NIS001 Cyber Project</u>	<u>See Appendix 2 of the Final Determination</u>	<u>31 March 2026</u>	<u>0.059</u>	<u>1.129</u>	<u>1.366</u>	<u>3.862</u>	<u>3.684</u>	<u>10.1</u>

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	<u>published on</u> <u>28/05/2024</u>							
<u>NIS002</u> <u>Cyber</u> <u>Project</u>	<u>See Appendix</u> <u>2 of the Final</u> <u>Determination</u>	<u>31</u> <u>March</u> <u>2026</u>	<u>0.014</u>	<u>0.266</u>	<u>0.322</u>	<u>0.91</u>	<u>0.868</u>	<u>2.38</u>
	<u>published on</u> <u>28/05/2024</u>							
<u>NIS003,</u> <u>NIS004,</u> <u>NIS005,</u> <u>NIS006,</u> <u>NIS007,</u> <u>NIS008,</u> <u>NIS009,</u> <u>NIS010</u> <u>and</u> <u>NIS011</u> <u>Cyber</u> <u>Projects</u>	<u>See Appendix</u> <u>2 of the Final</u> <u>Determination</u>	<u>31</u> <u>March</u> <u>2026</u>	<u>0.027</u>	<u>0.505</u>	<u>0.612</u>	<u>1.728</u>	<u>1.648</u>	<u>4.52</u>

A4.8 This direction will take effect immediately. This Direction constitutes notice stating the reasons for the decision for the purposes of section 38A of the Gas Act.

Yours sincerely,

Nathan Macwhinnie

Deputy Director Price Control Operations

For and on behalf of the Authority

Appendix 5 - Wales and West Utilities Limited Price Control Deliverables

Explanation

A5.1 The Direction in Appendix 4 has added additional Price Control Deliverables (PCDs) into Wales and West Utilities Limited (WWU) Special Licence Conditions.

A5.2 As these PCDs relate to Critical National Infrastructure, we have kept the information in the publicly available Special Licence to a minimum but kept a record of the detailed outputs below. These outputs are also redacted in the published version of this document below but have been shared directly with WWU.

Outputs

NOITRE Project	Project	Output
NIS001 Cyber Project	NIS001	[REDACTED]
NIS002 Cyber Project	NIS002	[REDACTED]
NIS003, NIS004, NIS005, NIS006, NIS007, NIS008, NIS009, NIS010 and NIS011 Cyber Projects	NIS003	[REDACTED]
	NIS004	[REDACTED]
	NIS005	[REDACTED]
	NIS006	[REDACTED]
	NIS007	[REDACTED]
	NIS008	[REDACTED] [REDACTED]
	NIS009	[REDACTED] [REDACTED]
	NIS010	[REDACTED]
	NIS011	[REDACTED]