



Asset health Re-opener Application Submitted by National Gas Transmission (January 2024)

Publication date:	17 January 2025
Response by:	21 February 2025
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We are consulting on National Gas Transmission's (NGT) Re-opener application, under Special Condition (SpC) 3.14 Asset health Re-opener of the RIIO-2 price control, for a direction modifying the value of the licence terms AH_t, NARMAHO_t and NLAHO_t for asset health interventions on the National Transmission System. We are seeking views from all interested stakeholders in particular, network companies, gas shippers, consumer groups, environmental groups, and the public.

This document sets out our proposed values for the relevant licence terms and seeks responses to several specific questions. The responses we receive will be considered before our final decision is issued. We want our consultation process to be transparent. We intend to publish the non-confidential responses received on our website at

<u>Ofgem.gov.uk/consultations</u> alongside our decision. If you want your response – in whole or in part – to be considered confidential, please tell us 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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Executive summary

The National Transmission System (NTS) in Great Britain is owned and operated by National Gas Transmission (NGT). Economic regulation of the network follows the RIIO (Revenue = Incentives + Innovation + Outputs) price control framework. The current RIIO-T2 price control period will last five years from 1 April 2021 to 31 March 2026.

NGT's SpC 3.14 Asset health Re-opener is an uncertainty mechanism to adjust allowances for asset health interventions related to the Valves, Compressor Cabs and Plant & Equipment project themes, during the price control period.

In January 2024, NGT submitted an application requesting additional funding of £35.534m for asset health interventions during RIIO-T2. More detail is set out in Table 1 below.

Project	AHt	NARMAHOt	NLAHOt	Total
	(SpC 3.14)	(SpC 3.1)	(SpC 3.15)	
Plant & Equipment**		36.584		36.584
Priority Protection Devices			0.170	0.170
Single Points of Failure			0.380	0.380
St Fergus – Compressor Cabs			-0.628	-0.628
Bacton – Plant & Equipment		-2.239		-2.239
Bacton – Fire Water Ring-main		1.267		1.267
Total		35.612	-0.078	35.534

Table 1: January 2024 Funding Request for licence terms and conditions (£m 2018 -19 prices)

** Origonaly £45.778m but revised downwards by NGT to reflect revised volumes in period 1 April 2024 to 31 March 2026.

Having considered the evidence presented, we propose providing additional funding of ± 33.110 m. More detail is set out in Table 2 below.

Table 2: Proposed	Funding Decisions	(£m 2018 -19 prices)
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Project	AHt	NARMAHOt	NLAHOt	Total
	(SpC 3.14)	(SpC 3.1)	(SpC 3.15)	

Plant & Equipment	34.264	34.264
Priority Protection Devices	0.170	0.170
Single Points of Failure	0.277	0.277
St Fergus – Compressor Cabs	-0.628	-0.628
Bacton – Plant & Equipment	-2.239	-2.239
Bacton – Fire Water Ring main	1.267	1.267
Total	33.291 -0.181	33.110

Next Steps

We welcome responses to our consultation, in particular to the specific questions we have included in Chapters 4and 5. Please send your response to: <u>graham.craig@ofgem.gov.uk</u> by 21 February 2025. We expect to publish our decision and direction to modify the relevant licence terms no later than 1 April 2025.

1. Introduction

What are we consulting on?

1.1. This consultation sets out our (the Office of the Gas and Electricity Markets Authority "Ofgem") minded to position to increase NGTs price control allowances by £33.110m following an application submitted in January 2024 for £35.534m under SpC 3.14 Asset health Reopener.

1.2. This consultation sets out our assessment of the evidence presented in this application and the various factors we have considered when reaching our minded to position. We are seeking views from interested stakeholders on our assessment of the evidence and our minded to position.

Consultation Process

1.3. The stages in this consultation process are

- Stage 1: Consultation Opens 17 January 2025
- Stage 2: Consultation Closes / Deadline for Responses 21 February 2025
- Stage 3: Responses Reviewed and Published 1 April 2025
- Stage 4: Decision and Direction Published 1 April 2025

How to respond

1.4. 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. We have asked for your feedback in each of the questions throughout. Please respond to each one as fully as you can. We will publish non-confidential responses on our website at www.ofgem.gov.uk/consultations.

Your response, data and confidentiality

1.5. You can ask us to keep your response, or parts of your response, confidential. We will 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.

1.6. 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 will contact 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.

1.7. 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 4.

1.8. If you wish to respond confidentially, we will keep your response itself confidential, but we will publish the number (but not the names) of confidential responses we receive. We will not 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

1.9. We believe that consultation is at the heart of good policy development. We welcome any comments about how we have run this consultation. We would 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?

1.10. Please send any general feedback comments to stakeholders@ofgem.gov.uk

How to track the progress of the consultation

1.11. 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.

2. Asset health Re-opener

Section summary

This Chapter gives an overview of the Asset Health Re-opener mechanism established by SpC 3.14 of the NGT gas transporter licence.

Overview of Asset Health Re-Opener mechanism

2.1. The NTS is owned and operated by NGT. Economic regulation of the network follows the RIIO (Revenue = Incentives + Innovation + Outputs) price control framework. The current RIIO-T2 price control period will last five years from 1 April 2021 to 31 March 2026. Prior to commencement of the price control period, we set out policy on the economic regulation of NGT during the period in <u>Final Determinations</u> (FDs). These policy decisions were given effect by new Special Conditions (SpC) in Part C of the NGT gas transporter licence, which came into force on 1 April 2021.

2.2. In our RIIO-T2 FDs we introduced a Re-opener mechanism to adjust allowances for asset health interventions during the price control period related to the Valves, Compressor Cabs and Plant & Equipment project themes. Allowances for asset health interventions related to the Civils, Electrical, Pipelines and Compressor project themes were not included in this uncertainty mechanism. A definition of the assets and interventions included in each project theme is included in SpC 1.1 Interpretations and definitions. SpC 3.14 Asset health Re-opener (as modified by <u>Statutory Notice</u> published on 8 May 2024), established this mechanism which permits the Authority to modify by direction:

- the value of the AHt term (Defined in SpC 3.18.4 as "has the value zero unless directed otherwise in accordance with Special Condition 3.14 Asset health Re-opener).
- the value of the NARMAHOt term (Defined in SpC 3.1.5 as "means the sum of allowances directed by the Authority in accordance with paragraphs 3.14.4(b), 3.14.8(b) and 3.14.9(b) of Special Condition 3.14 Asset health Re-opener); and
- the value of the NLAHOt term (Defined in SpC 3.15.5 as "means the sum of allowances directed by the Authority under paragraphs 3.14.4(c), 3.14.8(c) and 3.14.9(c) of Special Condition 3.14 Asset health Re-opener) as well as the outputs, delivery dates and allowances in the Asset Health Non-Lead Assets PCD Tables (SpC 3.15 Asset health non-lead assets Price Control Deliverable).

- 2.3. The Re-opener includes both:
 - an ex-post true-up mechanism to adjust allowances for the period 1 April 2021 to 31
 March 2024 set at FDs so they align with actual costs efficiently incurred
 - an ex-ante mechanism to fund interventions during the period 1 April 2023 to 31
 March 2026 not included in FDs.

2.4. On 1 August 2022, we issued a direction under SpC 3.14.5. This added two additional Re-opener application windows to the original single window. NGT may submit applications under SpC 3.14 during.

- January 2023,
- June 2023, and
- January 2024.

2.5. SpC 9.4 requires that all Re-opener applications must be prepared in accordance with our <u>Re-opener Guidance and Application Requirements Document</u>. This includes guidance on the preparation of Engineering Justification Papers and Cost Benefit Analysis, which are the key tools we expect to be used in preparing any application submitted under SpC 3.14. This Re-opener Guidance and Application Requirements Document also sets out the indicative process we will follow when assessing Re-opener applications

2.6. In January 2024, NGT submitted an application under SpC 3.14 Asset health Re-opener seeking increased allowances. In accordance with our indicative application assessment process, having determined that a valid submission had been submitted, we proceeded to a detailed assessment of the application. We made our determination on the validity of the application because it was submitted:¹

- Compliant with the requirements set out in SpC 3.14 Part C
- Compliant with the requirement set out SpC 9.4.3 to prepare the submission in accordance with our Re-opener Guidance and Application Requirements Document.
- Published on the NGGT website within five working days of submission with any redactions in line with our Re-opener Guidance and Application Requirements Document.

¹ Asset Health Overarching Document January 2024 - Appendix 6 – Mapping of Ofgem Requirements

• Accompanied by a letter of assurance that met the requirements set out in our Reopener Guidance and Application Requirements Document.

3. Asset health Re-opener application January 2024

Section summary

This chapter summarises the Asset health Re-opener application submitted by NGT in January 2024.

Funding requested

3.1. Table 1 in the Executive Summary sets out how much funding NGT requested in their January 2024 application for each project and the relevant licence term.

Plant & Equipment

3.2. The funding request was set out in NGT_AH3_02 Plant and Equipment Engineering Justification Paper January 2024.

3.3. Funding of \pm 36.584m is sought for Plant & Equipment related interventions across the NTS. This includes both new funding and the re-allocation of funding granted at FDs:

- Interventions during the period 1 April 2021 to 31 March 2024 (-£39.036m).
- Interventions during the period 1 April 2024 to 31 March 2026 (£75.620m).

3.4. Interventions on the following assets are included in this funding request.

3.5. Above Ground Pipework, Cladding and Cathodic Protection – these assets comprise pipework and associated assets on NGT sites.

- Pipework enables the flow of gas onto, around and away from the site. It is protected by a coating which provides the primary protection against corrosion.
- Cladding is installed on pipework to mitigate noise and to provide thermal insulation to maintain the temperature of the gas in the pipework. It is also used to protect NG staff from coming into contact with hot pipeline surfaces.

• Cathodic Protection provides corrosion protection for any buried pipework or other buried steel structural site elements where the primary barrier coating has failed.

3.6. Filters, Scrubbers and Preheaters – these assets condition the gas ready for transmission on the NTS and supply to consumers

- Filters, Scrubbers and Strainers are placed within the gas flow at points on the site to remove dust, debris and liquid from the high-pressure gas flow and protect key items of operational plant.
- Preheaters preheat the gas prior to pressure reduction to prevent condensation and the subsequent liquids entering items of plant or being transmitted through the NTS.

3.7. Pressure Reduction, Flow Control and Slam-shut Systems – these assets control the pressure and flow of gas and provide protection for over pressurisation.

- Pressure Reduction assets reduce the pressure of the gas from full NTS pressure to that required for use by customers, actuation of valves or to provide fuel gas to compressors.
- Flow Control Valves allow Gas Network Control Centre (GNCC) to remotely control the flow of gas and pressure between two or more sections of pipeline.
- Slam-shuts are automatic devices which protect the pipe work and other assets from over pressure failure.

3.8. Only defects, proven to have deteriorated sufficiently so that they are adversely affecting performance or are in an unsuitable state of deterioration are proposed to be addressed in this submission. These have been identified through NGT's Plant and Equipment rolling asset health plan and third-party asset condition reports. Table 3 below provides an overview of the various options interventions considered following defect identified. It maps these to the RIIO-2 baseline interventions of minor refurbishment, major refurbishment and replacement. This not an exhaustive list and is provided to illustrate typical interventions associated with each asset type.

Table 3: Options considered and examples of interventions

Business Plan	Real Intervention Example
Do nothing (all sub assets in the table)	 The impact of no investment in Plant and Equipment assets generates a compounding increase in service failure risk every year, across all service risk categories. Lack of investment in Plant and Equipment assets will result in an unsustainable situation where the volume of corrosion defects will grow to a level where the performance on the NTS cannot be maintained, and any level of remediation would not keep pace with degradation. This would place the NTS in a state where only significant asset replacement would counter the corrosion issues, at significant cost to customers and consumers. This option includes the reactive only investment across all Plant and Equipment assets and is the option against which all the other options are compared. For some assets which have redundancy and are easy to replace then reactive investment (fix on fail) is an acceptable strategy. This option is discounted as it does not result in in any tangible benefit to the asset and increases the risk of failure and safety related incidents. For some assets, this option is the most suitable intervention at the present time, this is where specific maintenance proposals will be most appropriate considering the asset in the WIC plan.
Decommission (all sub asses in the table)	 This is the option of permanently removing, through dismantling and disposal, of assets from service. This option is largely discounted as the assets identified for intervention are still required on the NTS. However, there are some exceptions, such as cladding where removal and decommissioning is the first option always considered. Investments such as pipe-throughs where pits and valves are decommissioned fall into this category. All Plant and Equipment assets identified for intervention are in line with NGT's Needs Case and future strategy of keeping gas flowing in the interests of consumers. Hence the requirement for Plant and Equipment investment to ensure continued and safe operation of the NTS.

Business Plan	Example 1	Example 2	Example 3	Example 4
Above Ground Pipework, Cladding and CP Systems - Decommission	Removal of cladding if no longer required.	Removal of CP drain by excavation.	-	-
Above Ground Pipework, Cladding and CP Systems - Refurbishment (component re-life)	AGI Pipework Coating (Full, Partial or Patch of asset or site)	Clean corrosion, OR Grit blast and Coating	Refurbish elements of CP system, OR partial CP system replacement	-
Above Ground Pipework, Cladding and CP Systems - Replace	New CP system	Replace Cladding on AGIs	Replacement of Failed IJs on AGIs	-

Filters, Scrubbers and Preheaters - Refurbishment (component re-life)	Filters PSSR Inspection & Major Overhauls	Scrubber & Condensate Tank Internal Inspections & Estimated Major Refurbs	Preheater Minor Refurb	Preheater PSSR Revalidation, WBH Inspection & Major Refurbs
Filters, Scrubbers and Preheaters - Replace	Replace Strainers with Filters/Separators	Preheater AGI Boiler Replacement	Preheater Upgrade - Compressor Fuel Gas at Wooler	-
Pressure Reduction, Flow Control and Slam-shuts - Minor refurbishment (component re-life)	Component replacement, repair OR	Clean corrosion	-	-
Pressure Reduction, Flow Control and Slam-shuts - Replace	Pressure Reduction Offtakes - Regulator Replacement	-	-	-

Option	Narrative
Pre-emptive Refurbishment	This is an option being taken forward as the outputs of the surveys of some assets highlight deterioration that would result in failure. As a prudent Asset Management Company NGT should be planning interventions that prevent asset failure. The current volume of defects dictates that this is a position NGT will be in once it is out of the current largely reactive position.
Refurbishment on Failure	This is an option being taken forward as there are instances of where components of assets have failed rendering them unusable of ineffective.
Pre-emptive Replacement	This is an option being taken forward as the outputs of the survey highlight deterioration that would result in failure and/or assets that need replacement as they do not meet current design standards. As a prudent Asset Management Company NGT should be planning interventions that prevent asset failure.
Replacement on Failure	This is an option being taken forward as there are instances of where components of assets have failed rendering them unusable of ineffective.

Interventions during the period 1 April 2021 to 31 March 2024

3.9. Funding of -£39.036m is being sought to align baseline funding with the actual cost of 460 interventions over 166 separate sites during this period. The decrease in costs was caused by both volume and unit cost variation when compared to FDs. To ensure the interventions were delivered at an efficient cost:

- The Main Works Contracts were awarded by competitive tender using an existing infrastructure framework containing six contractors.
- Bundling into different packages of work therefore creating lessons learned and best practise for how to maximise efficiencies at tender and what to include in a package contract to aid smooth delivery.
- Negotiating volume discounts and additional 'value add' services, such as free training or call-out support.
- Training or call-out support.

3.10. Table 4 below details costs/funding and volumes both actual and FDs for the first three years of the price control. While Table 5 below sets out the funding request by year.

		Actual	Actual	FD	FD
UID	Description	Cost	Volume	Funding	Volume
Sub-total	Pinework/Cladding/Cathodic Protoction	2/ 28/	210	54 005	450 F
Sub-totat	Pipework/Gladding/Galilouic Piolection	24.204	515	54.905	450.5
Sub-total	Filter / Scrubbers / Preheaters	4.961	123	12.517	147.5
	Duppersume Deductions (Flow)				
Sub total	Pressure Reduction/Flow	0.246	04	1 105	150 1
Jub-IUlal	Control/Stamshut	0.240	۷4	1.105	130.1
Total	Plant & Equipment	29.491	460	68.527	756.1

Table 4: Build-up of Plant & Equipment Costs and Volumes (1 April 2021 to 31 March 2024) (Redacted)

Table 5: Plant & Equipment Funding Request (1 April 2021 to 31 March 2024) (Redacted)

£m 2018-19 prices	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Total Cost						29.491
Baseline Funding						68.527
Funding Request						-39.036

Interventions during the period 1 April 2024 to 31 March 2026

3.11. Funding of £75.620m is being sought to deliver 560 interventions. These have been identified utilising maintenance and defect data supplemented through the completion of individual asset condition surveys at individual sites on the NTS. Each intervention maybe assigned into one of three categories depending on the complexity of the interventions required.

- Complex intervention sites include those with numerous assets, such as compressor stations and complex AGIs, requiring outages and associated with several interventions including at least one high value interventions.
- Standard intervention sites include those sites such as Above Ground Installations (AGIs) with only a few assets that require remediation and may or may not require outages.
- Simple intervention sites include those at sites with only a few assets that require low value remediation and may not require outages.

3.12. Table 6 below provides a list of the sites at which surveys were carried out to identify the necessary asset health intervention. Each of these surveys was included in the NGT submission.

	Pileline /	Filter / Scrubbers /	Pressure
	i itetine /	Octubber 57	Tressure
NTS Site	Cladding	Preheaters	Reduction

Table 6: Site Surveys included in NGT January 2024 Application (Redacted)

Х		
Х		
Х		
х		
х		
х		
x		
X		
X		
Х		
Х		
Х		
Х		
Х		
х		
х		
Y		
X		
X		
	Х	
	Х	Х
	Х	Х
	Х	х
	х	х
	х	
		х

3.13. Three methodologies have been applied to derive the funding request:

- Outturn Costs: Taken from the period 1 April 2021 to 31 March 2024. This is the preferred methodology. Normalisation is required to ensure intervention scope between the two periods is aligned. This normalisation will take account of such matters as volume / size, asset condition, engineering complexity, location and access difficulties. Unit cost data for sub-categories of asset or work is used where possible. For example, with respect to pipework painting separate unit costs for Pipe, AGIs, Block Valves, Multijunction and Offtakes. Since the beginning of the current price control period all contracts include a Unit Cost Schedule which allows NGT to analyse costs at various levels of granularity either by asset or by intervention. Outturn costs are reported on a gross basis and include both direct and indirect costs. They also include the impact of materialised risks and opportunities (contingency).
- Tendered / Contracted Costs: Some normalisation maybe necessary to facilitate accurate cost estimation. Adjustments are required to take account of potential risks and opportunities (contingency).

 Bottom-up: - Using NGTs database of costs for individual components of an intervention including materials, labour, plant and equipment site establishment etc. Adjustments is required to take account of potential risks and opportunities (contingency).

3.14. Table 7 below provides a summary of the estimation methodology used for each category of intervention.

UID	Description	Cost	Estimation Methodology
A22.12.1.1	Pipework paint - AGIs	asset	Out-turn costs from 104 interventions split by asset type with a high degree of mormalisation required
A22.12.1.2	Pipework corrosion - CM/4 defect	defect	Out-turn costs from 1167 interventions split by asset type with a high degree of mormalisation requiredd. Also 23 forecasted costs based on contracted works
A22.12.1.3	Cladding replace- AGIs	site	Out-turn costs from 3 interventions
A22.12.1.4	Isolation Joints replace - AGIs	asset	Out-turn costs from 15 interventions split by joint diameter
A22.12.1.5 A22.12.1.6	Cathodic Protection - AGI Priority 1 and Priority 2 defect	defect	Costs for individual equipment types derived from contractor's final tender returns following design completion.
A22.12.2.1	Filters PSSR - major refurb	asset	Out-turn costs from 55 interventions split into two types
A22.12.2.4	Preheater - AGI boiler replace	asset	Out-turn costs from 1 intervention
A22.12.2.6	Preheater PSSR - major refurb	asset	Out-turn costs from 47 interventions split into two types
A22.12.2.7	Preheater upgrade - compressor	asset	Out-turn costs from 1 intervention
A22.12.3.1 A22.12.3.2 A22.12.3.3 A22.12.3.6 A22.12.3.7	All Pressure Reduction/Flow Control/Slamshut Interventions	asset	Combination of actual altrady incurred for FEED study and surveys + estimates derived from tendered rates for Main Works Contracts and Materials + a bottom up estimation for other items.

 Table 7: Plant & Equipment Forecast Cost Estimation Methodologies Redacted

3.15. Table 8 below provides a build-up of the funding request for the final two years of the price control. While Table 9 below sets out the funding request by year

Table 8: Buildup of Plant & Equipment Funding Request (1 April 2024 to 31 March 2026) (Redacted)

UID	Description	Funding	Volume
Sub-total	Pinework/Cladding/Cathodic Protection	58 999	489
		00.000	+00
Sub-total	Filter / Scrubbers / Probectors	13 120	57
Sub-totat	The for the for the formed by	13.120	57
Sub total	Pressure Reduction/Flow	2 502	1.4
Sub-local	Controv Stamsnut	3.502	14
Total	Plant & Equipment	75.620	560

Table 9: Plant & Equipment Funding Request (1 April 2024 to 31 March 2026) (Redacted)

£m 2018-19 prices	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Total Cost						75.620
Baseline Funding						
Funding Request						75.620

Primary Protection Devices

3.16. The funding request was set out in NGT_AH3_03 Primary Protection Device Engineering Justification Paper January 2024.

3.17. Retrospective funding of £0.170m is sought to install Pressure Protection Devices at 17 sites on the NTS to achieve compliance with relevant regulations. As Stated by the Health and Safety Executive NGT was required to install suitable protective devices at 19 sites on the NTS. Funding for the other two sites where the intervention is much more complex and costly, Bathgate AGI and Wooler AGI, will seek thought the RIIO-T3 process.

3.18. The option selection process and identification of the preferred option were subject to assessment by the Health and Safety Executive to ensure compliance. The preferred option required installation of suitable Primary Protection Devices at each site.

3.19. Table 10 below shows the funding request by year.

Table 10: Primary Protection Devices Funding Request (Redacted)

£m 2018-19 prices	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Total Cost						0.170
Baseline Funding						
Funding Request						0.170

Single Points of Failure

3.20. The funding request was set out in NGT_AH3_04 Single Points of Failure Engineering Justification Paper January 2024.

3.21. Funding of \pounds 0.380m is sought to complete a feasibility assessment of alternative mitigations to address nine Single Points of Failure on the NTS. The feasibility assessment would include:

• Risk Mitigation Study to identify potential risks and possible costed mitigation measures.

• Pipeline Routing Study to identify potential pipeline investments to address Single Points of Failure.

3.22. Table 11 below shows the funding request by year.

Table 11: Single Points of Failure Funding Request (Redacted)

£m 2018-19 prices	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Total Cost						0.380
Baseline Funding						
Funding Request						0.380

St Fergus - Compressor Cabs

3.23. The funding request was set out in NGT_AH3_01 Asset Health Overarching Document January 2024.

3.24. Funding of $-\pounds$ 0.628m is being sought to align baseline funding with the actual cost of delivering two projects during the period 1 April 2021 to 31 March 2024 and to provide funding to complete these projects during the period 1 April 2024 to 31 March 2026 where necessary.

- Fire Water Ring-main Replacement survey and option assessment prior to the preparation of a funding request to be included in the RIIO-T3 Business Plan (-£0.628m).
- Minor Remediation Works to resolve minor defects in Compressor Cab Structures (£0.000m).

3.25. Tables 12 and 13 below show these funding requests by year.

Table 12:	Fire	Water	Ring-main	Replacement	Funding	Request	(Redacted)
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£m 2018-19 prices	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Total Cost						0.257
Baseline Funding						0.885
Funding Request						-0.628

 £m 2018-19 prices
 2021-22
 2022-23
 2023-24
 2024-25
 2025-26
 Total

 Total Cost
 0.555
 0.555
 0.555
 0.555

 Funding Request
 555

Table 13: Minor Remediation Works Funding Request (Redacted)

Bacton - Plant & Equipment

3.26. The funding request was set out in NGT_AH3_01 Asset Health Overarching Document January 2024.

3.27. Funding of -£2.195m is being sought to align baseline funding with the actual cost of delivering five projects during the period 1 April 2021 to 31 March 2024 and to provide funding to complete these projects during the period 1 April 2024 to 31 March 2026 where necessary.

- Cathodic Protection Investigations & Rectification funding for this project to be included in the Bacton terminal site redevelopment re-opener application SpC 3.10 (-£1.219m).
- Replacement of Failed Isolation Joints on AGIs this project is no longer necessary (-£0.927m).
- AGI Pipework Painting (Full, Partial and Patch) reallocation of baseline funding between the period 1 April 2021 to 31 March 2024 and 1 April 2024 to 31 March 2026 (£0.000m).
- Filters PSSR Inspections & Major Overhauls replacement of filter vessels (£0.007m).
- Preheater PSSR Revalidation WBH Inspection & Major Refurbishment this project is no longer necessary (-£0.056m).

3.28. Tables 14 and 18 below show these funding requests by year.

Table 14: Cathodic Protection Investigations & Rectification Funding Request (Reda	icted)
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£m 2018-19 prices	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Total Cost						
Baseline Funding						1.219
Funding Request						-1.219

Table 15: Replacement of Failed Isolation Joints on AGIs Funding Request (Redacted)

£m 2018-19 prices	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Total Cost						
Baseline Funding						0.972
Funding Request						-0.972

Table 16: AGI Pipework Painting (Full, Partial and Patch) Funding Request (Redacted)

£m 2018-19 prices	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Total Cost						0.269
Baseline Funding						0.269
Funding Request						

Table 17: Filters PSSR Inspections & Major Overhauls Funding Request (Redacted)

£m 2018-19 prices	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Total Cost						0.106
Baseline Funding						0.099
Funding Request				_		0.007

Table 18: Preheater PSSR Revalidation WBH Inspection & Major Refurbishment Funding Request (Redacted)

£m 2018-19 prices	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Total Cost						
Baseline Funding						0.056
Funding Request						-0.056

Bacton – Fire Water Ring-main Replacement

3.29. The funding request was set out in NGT_AH3_01 Asset Health Overarching Document January 2024.

3.30. Funding of £1.267m is being sought to align baseline funding with the actual cost of delivering two projects during the period 1 April 2021 to 31 March 2024 and to provide the funding necessary to complete these projects during the period 1 April 2024 to 31 March 2026.

3.31. Baseline funding is sufficient to fund detailed project design, replacement of two fire hydrants and one quarter of the existing ring-main using pipe-jack technology. The additional funding will complete the replacement of the ring-main and six fire hydrants.

3.32. Table 19 below shows the funding request by year.

Table 19: Fire Water Ring-main Replacement Funding Request (Redacted)

£m 2018-19 prices	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Total Cost						2.134
Baseline Funding						0.867
Funding Request						1.267

4. Our assessment and proposed funding decision January 2024 application

Section summary

In this chapter we offer for consideration our assessment of the evidence set out in the January 2024 Asset health Re-opener application and the reasons for our proposed funding decision

Questions

Question 4.1: Do respondents agree with our minded-to position on funding for the January 2024 Asset health Re-opener application?

Our Assessment – Scope of SpC 3.14

4.1. Our assessment is that all interventions for which funding is being sought fall within the scope of SpC 3.14 Asset health Re-opener. Each intervention complies with one of the asset health project themes (Valves, Compressor Cabs, Plant and Equipment) referred to in SpC 3.14 and defined in SpC 1.1 Interpretations and definitions. Table 20 below summarises our assessment.

Table 20: Assessment of projects	against SpC 3.14 Scope
----------------------------------	------------------------

Project	Theme	Assessment
Plant & Equipment	Plant & Equipment	All projects received baseline allowance under this theme at FD. SpC 1.1 definition includes all assets and locations subject to intervention
Primary Protection Devices	Plant & Equipment	Project involves installation of equipment that allows a safe level of gas pressure to be maintained. SpC 1.1 definition includes equipment associated with maintaining gas pressure.
Single Points of Failure Plant & Equipment		Project involves an assessment of appropriate interventions to prevent a loss of gas pressure at points on the network where redundancy is not currently provided. SpC 1.1 definition includes equipment associated with maintaining gas pressure.
St Fergus – Compressor Cabs	Compressor Cabs	Both projects received baseline allowance under this theme at FD. SpC 1.1 definition includes all assets and locations subject to intervention
Bacton – Plant & Equipment	Plant & Equipment	The five projects received baseline allowance under this theme at FD. SpC 1.1 definition includes all assets and locations subject to intervention
Bacton - Fire Water Ring-main Replacement	Compressor Cabs	The projects received baseline allowance under this theme at FD. SpC 1.1 definition includes fire suppression systems.

Our Assessment - Efficient Costs

4.2. In assessing the efficient cost level to deliver a particular asset health intervention we have followed the same methodology for both the ex-post true up mechanism and ex-ante mechanism set out in SpC 3.14. This is a two-stage process.

- **Step 1**: Assessing whether the needs case test has been passed and the scope of the intervention / volume of outputs is appropriate.
- **Step 2:** Assessing whether unit costs / overall project costs are efficient.

4.3. We only proceed to Step 2 where the project is within the scope of SpC 3.14 and has passed the Step 1 assessment stage, i.e. we are proposing to provide funding for the project.

4.4. Costs incurred during the previous RIIO-T1, or due to be incurred during the next RIIO-T3 price control period are not eligible for funding under SpC 3.14.

Our Assessment – Plant & Equipment

Interventions during the period 1 April 2021 to 31 March 2024

4.5. Our assessment is that an appropriate defect identification and option selection process has been followed to identify the 460 specific interventions to be carried out during this period. Our review of the specific details of the interventions identified by this process did not indicate that any inappropriate interventions have been carried out.

4.6. Our assessment is that an appropriate tendering strategy was adopted to deliver these interventions and that this is likely to have delivered the interventions at an efficient cost.

4.7. In making this assessment we note that baseline funding was based on a generic estimate of unit costs. Given the diversity of the activities needed to resolve similar defects on different sites and the quality of cost data available at FDs. It is to be expected that there was a significant variance between these and out-turn unit costs. We welcome the inclusion of Unit Cost Schedules in all asset health contracts. This will improve the quality of cost data available for setting future allowances.

4.8. We also note that the number of interventions on which baseline funding was based on was higher than the actual number delivered. This is to be expected given the quality of information available at FDs. We welcome the more systematic way in which NGT is now developing future work programs. This will improve the quality of data available for setting future allowances.

4.9. Table 21 below provides an analysis of the volume and cost variances between FDs and out-turn that have contributed to the significant variance between the level of funding provided at FDs and actual expenditure.

Table 21: Analysis	of Variance	between	Final	Determinati	ons and	l Actual	Expendi	ture
(Redacted)								

	FD	FD	Actual	Volume	Price	Actual
Description	Funding	Volume	Volume	Effect	Effect	Cost
Pinework/Cladding/Cathodic Protection	54 905	451	313	-17 273	-13 349	24 284
	0-1.000	401	010	17.270	10.040	24.204
Filter / Scrubbers / Preheaters	12.517	148	123	-2.647	-4.908	4.961
Pressure Reduction/Flow						
Control/Slamshut	1.105	158	24	-0.884	0.024	0.246
Plant & Equipment	68.527	756	460	-20.804	-18.233	29.491

4.10. Based on our assessment of the evidence presented we propose reducing funding for these projects by £39.036m.

Interventions during the period 1 April 2024 to 31 March 2025

4.11. Our assessment is that an appropriate option selection process has been followed to identify the 560 specific interventions to be carried out during this period. These interventions will facilitate ongoing compliance with both the Pressure System Safety Regulations 2000 (PSSR) and Pipeline Safety Regulations 1996 (PSR). In making this assessment we have reviewed and where appropriate challenged the various site surveys reported in Table 6 above. Following the review NGT reduced the number of interventions to 560 from the original request reducing the funding request by £9.194m.

4.12. We recognise that the 560 interventions include a small number that we would not normally fund through this mechanism.

- Remediation of nine Category 3 CM/4 defects at Wormington, Slowmarket, Penicuk and Gutzance at a total cost of £0.557m. We have accepted these interventions as there are others planned at each of the sites that means that resolving the defects can be bundled with other works and delivered at marginal cost.
- Replacement of ten below ground Isolation Joints without a condition survey at Wormington, Trinfort, Broxburn, Little Burton and Yelverton at a total cost of £3.228m. As these Isolation Joints are below ground it is not possible to assess condition prior to excavation which accounts for most of the cost in delivering the replacement. We have only accepted these interventions because, (1) other works due to be carried out at the site require excavation (2) planned outages at the site are rarely available and is being used to deliver multiple interventions. We expect NGT to use this opportunity to gather data on the condition of below ground Isolation Joints that can contribute to future decision making.

4.13. We accept that to resolve the Cathodic Protection System defects at the six sites listed in Table 22 below the most effective approach is to replace the system entirely. We note that this leaves four sites where defects have been identified to be resolved during RIIO-T3. We accept the assessment by NGT that it would not have been feasible to address defects on all ten sites during RIIO-T2.

Site	Priority 1	Priority 2
	19	9
	18	7
	3	0
	17	10
	9	2
	6	1
Total	72	29

Table 22: Cathodic Protection System defects by site (Redacted)

4.14. Our assessment is that an appropriate delivery review process has been followed to ensure that the 560 interventions identified can be liquidated during the period. In making this assessment we reviewed the criteria set out in Table 23 below. We note that this review process led to the decision to limit the resolution of Cathodic Protection System defects to six sites.

Table 23: Delivery Review Criteria:

Heading	Context	Red	Amber	Green
Long Lead Plant & Materials	Plant required (Especially long lead plant & Material	Plant not ordered or delivery confirmed outside regulatory period	Plant ordered no delivery dates confirmed	Plant ordered / Delivery dates confirmed & within the planned delivery year
Outage Confirmed	Outage requirement for delivery of project	Not requested	Requested and pending confirmation	Outage not required or outage confirmed
Programme	Delivery programme (Level 3) that shows work will complete within the T2 period	Delivery programme not created	In development & in enough detail to demonstrate delivery within T2	Delivery programme developed & confirmed work can be delivered within T2
Delivery Resources / Contracts	Design / Main Work Contractor contracts in place or agreed dates to take place – needs to correspond to delivery / execution in T2	No delivery contract in place	Contractor process stated and in progress	Contracts in place or to be signed imminently
Overall Confidence	Auto calculation based on the sum of RAG scores R = <20 A = 20-30 G = >=30	0	5	10

4.15. Key to achieving this level of liquidation is the bundling of work packages in regional Main Works Contracts to maximise the number of interventions that can be liquidated at any particular site during limited periods of planned outage. Outages are limited to the summer months, April to October, and must be co-ordinated across the network so as not to risk network capability. We have been provided with detailed outage schedules linked to planned interventions. Alongside information on the processes NGT follows to ensure that multiple interventions involving several contractors can be delivered simultaneously on a single site. Whilst continuing to meet the relevant obligations under both the Construction Design Management (CDM) Regulation and Health and Safety at Work Act (1974).

4.16. We accept that given the nature of asset health interventions and interaction with planned outages. There is a realistic risk that a small number of interventions can not be completed until the early months of RIIO-T3. Our minded to position when assessing relevant Price Control Deliverables is that such slippage should not be considered as a failure to deliver agreed outputs.

4.17. Our assessment is that an appropriate cost estimation methodology (Table 7 above) has been followed to develop the funding request. Using both historical data and contractual information to build up cost estimates for each sub-category of asset intervention included within a single UID. Where adjustments have been made for scale, location, complexity etc. these have been explained in the cost workbook narrative. The use of Unit Cost Schedules during the current price control has led to a material improvement in data quality. We recognise that the diversity between interventions within the same UID means that the creation of a definitive unit cost for any particular intervention is not practical. Rather the focus should be establishing robust unit costs for the various activities required to deliver a particular intervention. As these activities maybe across interventions. This is the approach we will follow when assessing future funding requests.

4.18. We have several suggestions as to how FUTURE cost workbooks could be improved

- The narrative should be set out in a word document rather than within the workbook.
- The detail set out in the narrative should be replicated in the numerical data used to illustrate how a particular cost was derived.
- Unit costs data for individual interventions should be disaggregated into costs for the various activities necessary to deliver that intervention.
- The workbook should not contain links to external data sources.

4.19. In FDs we set out our policy on the inclusion of contingency and risk when setting allowances. Stating that when allowances were based on historical data or contracted information any allowance for risk would need to be satisfactorily quantified. NGT have provided a P50 analysis to justify a 7.4% uplift for risk to be included in the cost estimates. Having reviewed the P50 analysis we believe that a 5% uplift is more appropriate. Table 24 below details the risks we believe should be excluded from the P50 analysis. These are those risks which are properly within the control of NGT and should be shared with consumers through the TotEx Incentive Mechanism (TIM) or are already borne by consumers through other uncertainty mechanisms, in particular indexation.

Table 24: Our Assessment P50 Analysis

Risk	Description	Include in P50
R-001	Delivery of long lead items	Ν
R-002	Shortage of operational resources	Ν

R-003	Additional Operational Drawings	Y
R-004	Exchange rates	Ν
R-005	Buried Services	Y
R-006	Policy Change	Ν
R-007	Fuel Prices	Ν
R-008	Additional Scope	Y
R-009	Additional site surveys	Y
R-010	Outage issues	Y
R-011	Weekend working	Ν
R-012	Delays due to wildlife issues	Y
R-013	Increased material prices	Ν
R-014	Adverse weather	Y
R-015	Unsuitable ground conditions	Y
R-016	Resource unavailability (internal / external)	Ν
R-017	Unforseen defects	Y
R-018	Contractor availability	Y
0-001	Opportunities from bungling work	Y
O-002	Opportunities from long lead procurement	Y

4.20. In making this assessment we noted that, the same procurement strategy would be followed as for previous intervention and that the contingency component was less than 7%.

4.21. Based on our assessment of the evidence presented we propose to award £73.298m of funding for these projects.

Our Assessment- Primary Protection Devices

4.22. As this intervention was subject to oversight by the Health and Safety Executive, we accept the needs case and that an appropriate option selection process was followed resulting in the correct final preferred option identified.

4.23. Our assessment is that the funding request represents efficient costs and we do not propose to challenge it. In making this assessment we note that, costs for the two most complex and expensive interventions at Bathgate AGI and Wooler AGI, will be fully scrutinised as part of the RIIO-T3 process.

4.24. Based on our assessment of the evidence presented we propose to award \pounds 0.170m of funding for this project.

Our Assessment – Single Points of Failure

4.25. We accept both the needs case and scope of this project. The proposal aligns with the outputs from the Network Resilience Summit (May 2023) and subsequent working groups involving NGT, Ofgem, Department of Energy Security & Net Zero (DESNZ) and New Energy System Operator (NESO).

4.26. Our assessment is that the funding requested for external consultancy support represents efficient costs. This cost having been determined by a competitive tender process to deliver the defined project scope. Our assessment is that the funding requested for NGT internal resources does not represent efficient costs. Adequate funding of these resources has already been provided at FDs.

4.27. Based on our assessment of the evidence presented we propose to award ± 0.277 m of funding for this project.

Our Assessment – St Fergus Compressor Cabs

4.28. We accepted the needs case and scope of both projects at FDs.

4.29. Our assessment is that the funding request represents efficient costs and we do not propose to challenge it. In making this assessment we note that for the same level of output less funding is required than at FDs.

4.30. Based on our assessment of the evidence presented we propose reducing funding for these projects by $\pm 0.628m$.

Our Assessment – Bacton Plant & Equipment

4.31. We accept the proposals set out in Chapter 3 above for each of the projects. Whether it is no longer necessary, should be funded through a different mechanism or have the funding reprofiled over the RIIO-T3 period.

4.32. Based on our assessment of the evidence presented we propose reducing funding for these projects by £2.195m.

Our Assessment – Bacton Fire Water Ring-main

4.33. We accepted the needs case and scope for this project at FDs.

4.34. Our assessment is that the funding request represents efficient costs and we do not propose to challenge it. In making our assessment we note that the funding provided at FD represented 60% of our estimate of the cost of delivering this project (£1.445m). The additional funding over our FD estimate is £0.689m a 48% increase. However, as the current funding request is based on a fully developed project and competitively awarded tenders it represents a much more accurate project cost than was available to us at FDs. We accept that the pipe-jack technology being utilised is the most efficient way to replace ring-main. We also accept that completion of the project now avoids additional contractor mobilisation / demobilisation costs.

4.35. Based on our assessment of the evidence presented we propose to award ± 1.267 m of funding for this project.

Our Assessment of impact on Network Asset Risk Metric (NARM) SpC 3.1

4.36. The Network Asset Risk Metric (NARM) has been developed to allow us to quantify the benefit to consumers of the companies' asset management activities. In RIIO-2, NARM is used as an output to help hold the companies accountable for their investment decisions. NARM captures outputs related to the projects which we propose to fund under NARMAHOt in this consultation. As such, a NARM update will be required once our decision has been made to reflect the additional outputs related to the projects funded.

4.37. In January 2023 and June 2023, NGT submitted applications under SpC 3.14 for asset health interventions under the Valves, Compressor Cabs and Plant and Equipment themes across the network. We propose for reasons of simplicity that there should be a single NARMs

update once all three Asset health Re-opener applications (January 2023, June 2023 and January 2024) have been assessed and determinations made.

5. Proposed Asset Heath Re-opener Direction

Section summary

In this chapter we set our proposed direction to modify the relevant licence terms

Questions

Question 5.1: Do respondents agree with our proposed draft direction?

Our Proposal

5.1. Based on our assessment of the evidence presented in the application under SpC 3.14 Asset health Re-opener, submitted by Nation Gas Transmission in January 2024. We propose to modify by direction the relevant licence terms as set out in Tables 25 and 26 below.

	Licence		2021-	2022-	2023-	2024-	2025-	
£m 2018-19 prices	Term	UID Code	22	23	24	25	26	Total
Plant & Equipment	NARMAHOt							-2.775
Plant & Equipment	NARMAHOt						0.188	1.073
Plant & Equipment	NARMAHOt						3.006	2.653
Plant & Equipment	NARMAHOt						11.873	11.539
Plant & Equipment	NARMAHOt						0.163	-0.525
Plant & Equipment	NARMAHOt						6.883	12.462
Plant & Equipment	NARMAHOt						5.255	3.761
Plant & Equipment	NARMAHOt						1.257	-1.622
Plant & Equipment	NARMAHOt						0.352	0.465
Plant & Equipment	NARMAHOt							-3.382
Plant & Equipment	NARMAHOt							1.273
Plant & Equipment	NARMAHOt							0.201
Plant & Equipment	NARMAHOt							0.030
Plant & Equipment	NARMAHOt						0.458	0.093
Plant & Equipment	NARMAHOt							-0.030
Plant & Equipment	NARMAHOt						1.307	2.536
Plant & Equipment	NARMAHOt						2.343	3.975
Plant & Equipment	NARMAHOt						0.843	1.058
Plant & Equipment	NARMAHOt							0.015

Table 25: January 2024 Asset Health Proposed Adjustments (Redacted)

Plant & Equipment	NARMAHOt						-0.576
Plant & Equipment	NARMAHOt					0.749	1.685
Plant & Equipment	NARMAHOt					0.445	0.376
Plant & Equipment	NARMAHOt						-0.021
Total Plant & Equipment		-11.392	-20.054	-7.589	38.177	35.122	34.264
Priority Protection Device	NLAHOt						0.026
Priority Protection Device	NLAHOt						0.118
Priority Protection Device	NLAHOt						0.001
Priority Protection Device	NLAHOt						0.025
Total Priortity Protection		0 000	0 000	0 170	0 000	0 000	0 170
Device		0.000	0.000	0.170	0.000	0.000	0.170
Single Points of Failure	NLAHOt						0.277
St Fergus Fire Water Ring- main	NLAHOt						-0.628
St Fergus Minor Remediations	NLAHOt						0.000
Total St Fergus Compressor Cabs		-0.582	-0.538	-0.118	0.348	0.263	-0.628
Bacton Cathodic Protection Investigations	NARMAHOt						-1.219
Bacton Replacement of Failed Isolation Joints	NARMAHOt						-0.972
Bacton AGI Pipework Painting	NARMAHOt						0.000
Bacton Filters PSSR Investigations & Major Overhauls	NARMAHOt						0.007
Bacton Preheater PSSR Revalidation WBH Inspection & Major Refurbishment	NARMAHOt						-0.056
Total Bacton Plant & Equipment		-0.223	-1.235	-1.004	0.043	0.180	-2.240
Bacton Fire Water Ring- main Replacemen	NARMAHOt						1.267

Table 26: Modification by Direction to Licence Terms £m 2018-19 prices

Licence Term	Special Condition	2021-22	2022-23	2023-24	2024-25	2025-26	Total
NLAHOt	3.15	-0.582	-0.538	0.329	0.348	0.263	-0.181
NARMAHOt	3.1	-11.689	-21.726	-8.840	38.919	36.628	33.291
AHt	3.14						
Total		-12.271	-22.264	-8.511	39.267	36.891	33.110

5.2. In the NGT RIIO-T2 business plan the asset health investment proposed was separated into circa 300 different asset interventions each with a Unique Identifier (UID). At FDs each UID was linked to one of the asset health related Price Control Deliverables. Any large project may involve spending that falls into several UIDs and therefore projects may deliver outputs across different Price Control Deliverables.

5.3. The adjustments to allowances set out in Tables 25 and 26 above are calculated as the difference between our determination of the total cost of intervention efficiently incurred and any baseline funding provided at FDs. The value of baseline funding includes two adjustments not included in our assessment of the total cost of intervention:

- A reduction for Ongoing Efficiency set at 1.15% per annum for capital expenditure.
- An uplift for Capitalised Opex of 0.5%.

5.4. This is the correct methodology because:

- Our determination of the efficient level of costs to deliver the intervention means that no further adjustment is necessary.
- The uplift for Capitalised Opex was to adjust for the way Indirect Cost allowances we set at Final Determinations (NGGT Annex paragraph 3.206). This issue does not arise in this instance where our determination of efficient costs includes indirect costs.

5.5. SpC 3.14 permits the Authority to modify by direction the outputs, delivery dates and allowances set out in the Asset Health Non-Lead Assets PCD Tables. At FDs these PCD Tables remained confidential between us and NGT. We propose maintaining this confidence.

5.6. We will consult NGT on our proposed modifications to the Asset Health Non-Lead Assets PCD Tables, and when we make a direction implementing our decision on NGT's January 2024 Re-opener applications, we will also amend Appendix 2 to SpC 3.15 so that it shows the name of the new document containing the Asset Health – Non-Lead Asset PCD Tables.

5.7. The proposed text of the Direction is set out in Appendix 1.

Appendix 1 – Proposed direction

Introductory Note

Following our assessment of NGT's January 2024 Asset health Re-opener applications, we have set out our minded to view above. Any decision, for example, to add additional allowances for a project, will be implemented into the Licence via a direction. This Appendix provides notice of our proposed direction that we intend to issue to implement our Re-opener Decision, as required by SpC 3.14.10. We intend to confirm the direction at the same time as setting out our decision, taking into account responses to our minded to view and representations on the proposed direction. Any representations with respect to the minded to view or associated draft direction below must be made on or before 21 February 2025.

Proposed direction

To: National Gas Transmission Plc ("the licensee"),

Direction issued by the Gas and Electricity Markets Authority ("the Authority") under Special Condition ("SpC") 3.14.4 and 3.14.9 of the Gas Transporter Licence ("the Licence") held by National Gas Transmission plc to modify the value of licence terms NARMAHOt and AHt, and the outputs, delivery dates and allowances in the Asset health Non-Lead Assets PCD tables.

- 1. The licensee is the holder of a Licence granted or treated as granted under section 7 of the Gas Act 1986.
- 2. SpC 3.14.4 (Asset health Re-opener AHt) of the Licence provides a mechanism, by which the Licensee may apply for a direction.
 - a) adjusting the value of the AHt term.
 - b) adjusting the value of the NARMAHOt term; or
 - c) amending the outputs, delivery dates and allowances in the Asset Health Non-Lead Assets PCD Tables

where it is seeking allowances for work relating to Valves, Compressor Cabs or Plant and Equipment during the period between 1 April 2023 and 31 March 2026.

- 3. SpC 3.14.9 (Asset health Re-opener AHt) of the Licence provides a mechanism, by which the Authority may direct.
 - a) An adjustment to the value of the AHt term.
 - b) An adjustment to the value of the NARMAHOt term; or
 - c) An adjustment to the outputs, delivery dates and allowances in the Asset Health Non-Lead Assets PCD Tables

to reflect actual efficient costs and work volumes relating to Valves, Compressor Cabs or Plant and Equipment during the period between 1 April 2021 and 31 March 2024. 4. On 31 January 2024 the Licensee submitted Asset health Re-opener applications under SpC 3.14.4 and 3.14.9, which complied with the requirements of SpC 9.4 Re-opener Guidance and Application Requirements Document.

Asset health Re-opener Direction

- 5. The Authority hereby issues a direction under SpCs 3.14.4, 3.14.9 and 3.13.11 to:
 - a) An adjustment to the value of AHt.
 - b) An adjustment to the value of NARMAHOt.
 - c) Modify the outputs, delivery dates and allowances in the Asset Health Non-Lead Assets PCD Tables in the manner set out in [decision document's name]; and
 - d) An amendment to the text in Appendix 2 to SpC 3.15.
- 6. Further details of the reasons for and effect of this direction and the modifications listed in paragraph 5 can be found in our decision document published alongside this direction on xx Month 2025.
- This direction will not change the licensee's AHt, it will increase NARMAHOt by £33.291m and reduce NLAHOt by £0.181m. The allowances will be spread out across the RIIO-2 price control as follows:

Licence	Special						
Term	Condition	2021-22	2022-23	2023-24	2024-25	2025-26	Total
NLAHOt	3.15	-0.582	-0.538	0.329	0.348	0.263	-0.181
NARMAHOt	3.1	-11.689	-21.726	-8.840	38.919	36.628	33.291
AHt	3.14						

- 8. This will provide a total allowance of ± 6.527 m for AHt, ± 74.825 m for NARMAHO_t and ± 73.977 m for NLAHO_t, when added to the modifications set out in our direction of 04 December 2024.
- 9. Further, this direction will amend Appendix 2 to SpC 3.15 of the licensee's licence as follows:

Appendix 2

Title and publication date of document containing the Asset Health – Non-Lead Assets PCD Tables

Title	Publication Date
RIIO- GT2 Asset Health Non-Lead Assets PCD Tables	4 December 2024

[DECISION DOCUMENT'S NAME]

XX MONTH 2025

- 10. This direction will take effect immediately.
- 11. If you have any questions in relation to this direction, please contact: graham.craig@ofgem.gov.uk

Yours sincerely,

.....

Thomas Johns Deputy Director Duly authorized on behalf of the Gas and Electricity Markets Authority Dated xx Month 2025

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 <u>dpo@ofgem.gov.uk</u>

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. We will not be sharing your personal data.

5. Your personal data will be held for twelve months after the consultation has closed.

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 3rd 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".