

---

## RIIO-3 Draft Determinations - Northern Gas Networks (NGN)

Publication date:	1 July 2025
Response deadline:	26 August 2025
Contact:	Network Price Controls
Team:	RIIO-3
Telephone:	020 7901 7000
Email:	<a href="mailto:RIIO3@ofgem.gov.uk">RIIO3@ofgem.gov.uk</a>

The next set of price controls for the Electricity Transmission (ET), Gas Distribution (GD) and Gas Transmission (GT) sectors will cover the five-year period from 1 April 2026 to 31 March 2031 (RIIO-3). In December 2024 the network companies in these sectors submitted their RIIO-3 Business Plans for this period to us. We have now assessed these plans.

This document, and others published alongside it, set out our Draft Determinations for the RIIO-3 price controls. These are for consultation and we would like views from people with an interest in RIIO-3 by 26 August 2025. We particularly welcome responses from consumer groups and energy industry network users. We also welcome responses from other stakeholders and the public.

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

---

---

© Crown copyright 2025

The text of this document may be reproduced (excluding logos) under and in accordance with the terms of the [Open Government Licence](#).

Without prejudice to the generality of the terms of the Open Government Licence the material that is reproduced must be acknowledged as Crown copyright and the document title of this document must be specified in that acknowledgement.

Any enquiries related to the text of this publication should be sent to Ofgem at:

10 South Colonnade, Canary Wharf, London, E14 4PU.

This publication is available at [www.ofgem.gov.uk](http://www.ofgem.gov.uk). Any enquiries regarding the use and re-use of this information resource should be sent to: [psi@nationalarchives.gsi.gov.uk](mailto:psi@nationalarchives.gsi.gov.uk)

---

## Contents

<b>RIIO-3 Draft Determinations - Northern Gas Networks (NGN)</b>	<b>1</b>
<b>1. Introduction</b>	<b>4</b>
Purpose of this document	4
What are we consulting on	4
Navigating the RIIO-3 Draft Determinations documents	4
An Overview of NGN's RIIO-GD3 Price Control	5
<b>2. Outputs and incentives</b>	<b>10</b>
EAP: Net Zero Research Village (NeRV) PCD	10
Network Asset Risk Metric (NARM)	11
<b>3. Business Plan Incentive (BPI)</b>	<b>13</b>
Stage A	13
Stage B	14
Stage C	15
<b>4. Managing uncertainty</b>	<b>19</b>
EAP: Industrial and commercial hydrogen use	19
<b>5. Cost of service</b>	<b>20</b>
Introduction	20
Ex ante allowances	20
Pre-modelling, normalisations and adjustments	21
Regression	22
Non-regression	24
Engineering assessment of NGNs business plan	27
<b>6. Innovation</b>	<b>28</b>
Background	29
<b>7. Data and Digitalisation</b>	<b>31</b>
Introduction	31
Consultation position and rationale	31
<b>8. Your response, data and confidentiality</b>	<b>33</b>
Consultation stages	33
How to respond	33
Your response, your data and confidentiality	33
General feedback	34
How to track the progress of the consultation	35
<b>Appendix 1 – Summary of Engineering Review</b>	<b>36</b>
<b>Appendix 2 – Privacy notice on consultations</b>	<b>41</b>
Personal data	41

## **1. Introduction**

### **Purpose of this document**

- 1.1 This document sets out our Draft Determination consultation positions for the price control areas that are specific to Northern Gas Networks (NGN) covering the five-year period from 1 April 2026 to 31 March 2031 (RIIO-GD3). All figures in this document are in 2023/24 prices except where otherwise stated.

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

- 1.2 In Chapter 2 we set out the NGN-specific outputs and incentives that we propose should form part of RIIO-GD3, including Licence Obligations (LOs), Price Control Deliverables (PCDs), Use-It-Or-Lose-It (UIOLI) allowances and Output Delivery Incentives (ODIs).<sup>1</sup>
- 1.3 Chapter 3 describes our assessment of NGN's Business Plan against the RIIO-3 Business Plan Incentive.
- 1.4 Chapter 4 sets out how we propose to manage uncertainty during RIIO-GD3 for areas of uncertainty that are specific to NGN. We do this through uncertainty mechanisms (UMs), specifically volume drivers, re-openers, UIOLIs, pass-through, or indexation mechanisms.
- 1.5 In Chapter 5 we summarise the outcome of our assessment of NGN's costs and engineering justifications for the RIIO-GD3 period.
- 1.6 Chapters 6 and 7 describe our assessment of NGN's innovation and digitalisation strategies respectively.

### **Navigating the RIIO-3 Draft Determinations documents**

- 1.7 The RIIO-3 Draft Determinations are comprised of an Overview Document, a Finance Annex and sector annexes for ET, GD and GT. The sector annexes are underpinned by a RIIO-3 Impact Assessment, company annexes<sup>2</sup> and, where relevant, technical annexes. This document is the NGN Annex. Figure 1 below maps all documents relevant to our suite of RIIO-3 Draft Determinations, including the framework and methodology documents that have preceded it.
- 1.8 Our Draft Determinations have considered all previous feedback from network companies and other stakeholders, including the reports from the Independent Stakeholder Groups (ISGs) that were established to challenge each of the

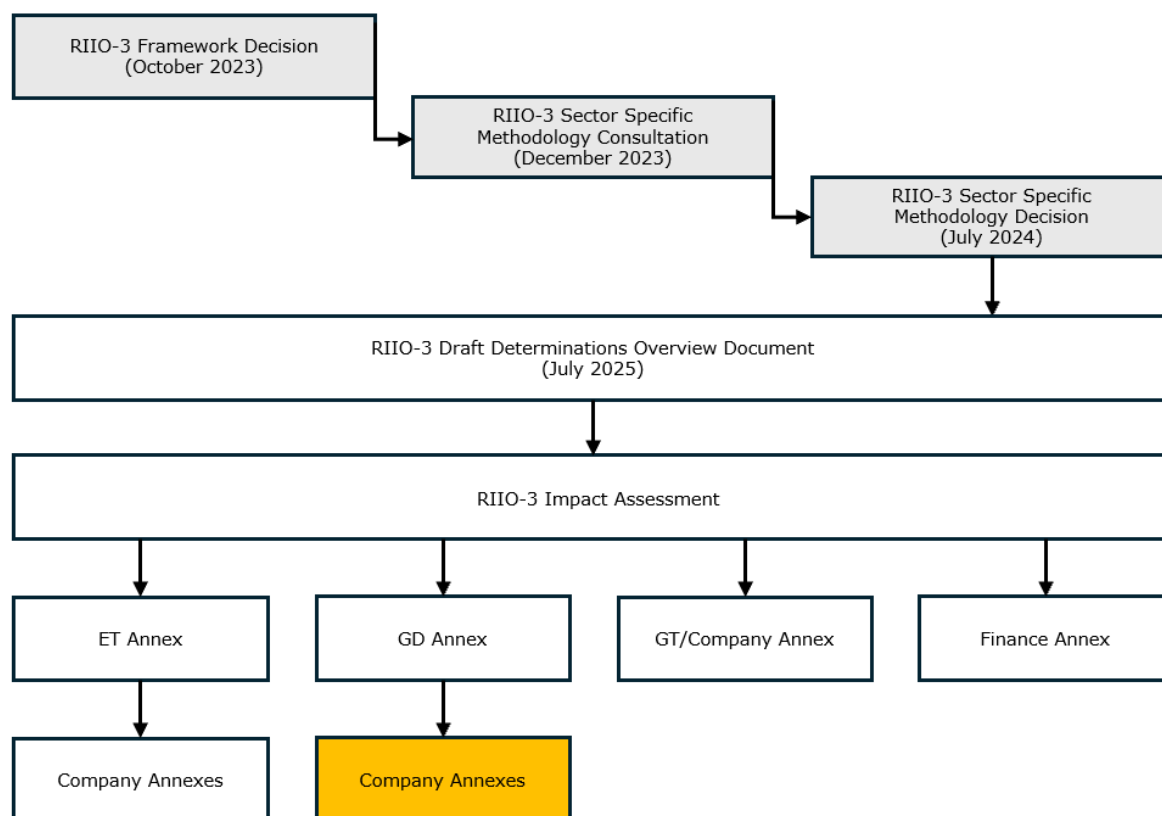
---

<sup>1</sup> ODIs can be either financial (ODI-F) or reputational (ODI-R).

<sup>2</sup> Throughout this document, 'company annexes' refers to the four GDN specific annexes (their abbreviated names are Cadent Annex, NGN Annex, SGN Annex and WWU Annex).

network companies on their stakeholder engagement and business plans, and the feedback received in response to our RIIO-3 Call for Evidence.<sup>3</sup> Further details on our approach to embedding the consumer voice is set out in the RIIO-3 Overview Document.

Figure 1: RIIO-3 Draft Determinations map



## An Overview of NGN's RIIO-GD3 Price Control

- 1.9 This section summarises the key aspects of NGN's RIIO-GD3 Draft Determinations, setting out its cost allowances, outputs, UMs, BPI outcome and financing parameters.

---

<sup>3</sup> <https://www.ofgem.gov.uk/call-for-input/call-evidence-electricity-transmission-gas-transmission-and-gas-distribution-business-plans-riio-3>

Table 1: Submitted versus proposed allowed baseline Totex (£m, 2023/24)

<b>Cost area</b>	<b>NGN submitted totex</b>	<b>Ofgem proposed totex</b>	<b>Difference (£m)</b>	<b>Difference (%)</b>
Baseline totex	1,837.2	1,568.1	-269.0	-14.6
Network Innovation Allowance (NIA)	15.5	9.7	-5.8	-37.4
Passthrough	554.1	554.1	0.0	0.0
<b>Ex ante allowances</b>	<b>2,406.8</b>	<b>2,131.9</b>	<b>274.9</b>	<b>-11.4</b>

Table 2: Proposed outputs package

<b>Output name</b>	<b>Output type</b>	<b>Sector(s)</b>	<b>Further detail</b>
Network Asset Risk Metric (NARM)	PCD, ODI-F and ODI-R	ET, GD, GT	Overview Document
Cyber Resilience	PCD and re-opener	ET, GD, GT	Overview Document
Environmental Action Plan and Annual Environmental Report	ODI-R and LO	ET, GD, GT	Overview Document
Strategic Innovation Fund (SIF)	UIOLI	ET, GD, GT	Overview Document
Network Innovation Allowance (NIA)	UIOLI	ET, GD, GT	Overview Document
Totex Incentive Mechanism (TIM)	ODI-F	ET, GD, GT	GD Annex
Operational Transport Emissions Reduction	PCD	ET, GD	Overview Document
Biomethane Connections	UIOLI	GD, GT	GD Annex
7 and 28 Day Repair Standards	ODI-F	GD	GD Annex
Tier 1 Mains Decommissioned	PCD	GD	GD Annex
Tier 1 Services	PCD	GD	GD Annex
Tier 1 Iron Stubs	PCD	GD	GD Annex
Emergency Response Time	LO	GD	GD Annex
Vulnerability and Carbon Monoxide Allowance (VCMA)	UIOLI	GD	GD Annex
Customer Satisfaction	ODI-F	GD	GD Annex

Disconnections Customer Satisfaction	ODI-R	GD	GD Annex
PSR Customer Satisfaction	ODI-R	GD	GD Annex
Complaints Metric	ODI-F	GD	GD Annex
PSR Customer Complaints	ODI-R	GD	GD Annex
Unplanned Interruptions	ODI-F	GD	GD Annex
Collaborative Streetworks	ODI-F	GD	GD Annex

Table 3: Proposed UMs package

<b>UM name</b>	<b>UM type</b>	<b>Sector(s)</b>	<b>Further detail</b>
Business Rates (prescribed rates)	Pass-through	ET, GD, GT	Finance Annex
Cost of debt indexation	Indexation	ET, GD, GT	Finance Annex
Cost of equity indexation	Indexation	ET, GD, GT	Finance Annex
Inflation Indexation of RAV and Allowed Return	Indexation	ET, GD, GT	Finance Annex
Ofgem licence fee costs	Pass-through	ET, GD, GT	Finance Annex
Pension Scheme Established Deficit	Pass-through	ET, GD, GT	Finance Annex
Tax Review	Re-opener	ET, GD, GT	Finance Annex
Real Price Effects (RPEs)	Indexation	ET, GD, GT	Overview Document
Digitalisation	Re-opener	ET, GD, GT	Overview Document
Resilience	Re-opener	ET, GD, GT	Overview Document
Cyber Resilience	Re-opener	ET, GD, GT	Overview Document
Co-ordinated Adjustment Mechanism (CAM)	Re-opener	ET, GD, GT	Overview Document
Net Zero	Re-opener	ET, GD, GT	Overview Document
Net Zero Pre-construction Works and Small Net Zero Projects (NZASP)	Re-opener	GD, GT	Overview Document
Net Zero And Re-opener Development Fund (NZARD)	UIOLI	GD, GT	Overview Document
Heat Policy	Re-opener	GD	GD Annex
HSE Policy	Re-opener	GD	GD Annex
Tier 2A Mains and Services Replacement	Volume driver	GD	GD Annex

<b>UM name</b>	<b>UM type</b>	<b>Sector(s)</b>	<b>Further detail</b>
Diversions and Loss of Development Claims	Re-opener	GD	GD Annex
Complex Distribution Systems	Re-opener	GD	GD Annex
Safety Disconnections	Volume driver	GD	GD Annex
New Large Load Connections	Re-opener	GD	GD Annex
Specified Streetworks	Re-opener	GD	GD Annex
Central Data Service Provider (CDSP) Costs	Pass through	GD	GD Annex
Miscellaneous	Pass through	GD	GD Annex
NTS exit capacity	Pass through	GD	GD Annex
Pension deficit charge adjustment	Pass through	GD	GD Annex
Shrinkage	Pass through	GD	GD Annex
Theft of gas (supplier responsible)	Pass through	GD	GD Annex
Third-party damage and water ingress	Pass through	GD	GD Annex

Table 4: Proposed BPI outcome

<b>BPI Stage</b>	<b>NGN outcome (Bps RoRE)</b>	<b>Further detail</b>
Stage A	Pass	Overview Document and this document
Stage B	37.61 bps	Overview Document, GD Annex and this document
Stage C	4.78 bps	Overview Document and this document



Table 5: Proposed financing parameters

<b>Area</b>	<b>NGN outcome</b>	<b>Further detail</b>
Notional gearing	GD&T: 60%	Finance Annex
Cost of equity	GD&T: 6.04%	Finance Annex
Cost of debt (semi-nominal)	GD&T: 4.45%	Finance Annex
Weighted average cost of capital (semi-nominal)	GD&T: 5.09%	Finance Annex
Expected RoRE ranges	GD: 4.16% - 7.78%	Finance Annex

## **2. Outputs and incentives**

- 2.1 This chapter sets out our views on outputs and incentives that are specific to NGN, including for bespoke proposals submitted through its business plan or its Environmental Action Plan (EAP). For our Draft Determinations, we do not propose any bespoke outputs or incentives for NGN. Please refer to the GD Annex for the common outputs and incentives that will apply to NGN.

### **EAP: Net Zero Research Village (NeRV) PCD**

#### **Consultation position and rationale**

- 2.2 In its EAP, NGN proposed a £16.5m PCD to build a research hub focused on the decarbonisation of homes, networks and transport on their existing research site at Low Thornley. NGN considered that the co-location of the NeRV Centre with several existing research facilities would position the Low Thornley Campus as an enabler of effective collaboration and cross-pollination of ideas. The Low Thornley site currently contains a variety of existing research and innovation facilities including the Integrated Transport Electricity and Gas Research Laboratory, the Hydrogen House, Futures Close, HyDeploy 2, a battery energy storage system and a solar photovoltaic installation.
- 2.3 We are proposing to reject this proposal on engineering grounds, please refer to Appendix 1 for further details. Further details on our RIIIO-3 EAP policy design and a high-level cross-sector review can be found in Chapter 4 of the Overview Document, while the GD-specific review can be found in Chapter 3 of the GD Annex.

NGNQ1. Do you agree with our proposal to reject NGN's Net Zero Research Village (NeRV) PCD?
---

## Network Asset Risk Metric (NARM)

- 2.4 Table 6 summarises the results of our assessment and the proposed Baseline Network Risk Outputs (BNRO) per NARM asset category. Further detail about the NARM methodology can be found in the Overview Document.

Table 6: Proposed BNRO per NARM asset category

Asset Category	BNRO (R£m)
LTS Pipelines (Piggable)	0
LTS Pipelines (Non Piggable)	0
Iron Mains	137.77
Steel Mains	229.39
Other Mains	0.00
Services	105.63
Risers	5.31
Offtake Filters	0
PRS Filters	0
Offtake Slamshut/Regulators	12.84
PRS Slamshut/Regulators	0
Offtake Pre-heating	9.29
PRS Pre-heating	28.23
Odourisation & Metering	60.35
District Governors	931.75
I&C Governors	0.33
Service Governors	5.26
<b>Total</b>	<b>1,536.15</b>

- 2.5 For some asset categories, it was difficult to align the BNRO and volumes submitted in NGN's NARM Business Plan Data Template (BPDT) with the volume data submitted in its business plan and Engineering Justification Papers (EJPs). We will work with companies to develop ongoing reporting.
- 2.6 We acknowledge that our adjustments to the submitted BNRO, based on proposed volume changes, involve a degree of approximation and may not be fully accurate at this time. This is primarily because the data we used to derive our view of the BNRO was at a much more aggregated level than that available to the network companies, and that which will be used to derive the final BNRO.

Additionally, there was difficulty aligning the data for some asset categories. However, we consider this acceptable, as the adjustments are based on reasonable assumptions. Reaching a final BNRO may involve several iterations of recalculation by the network companies, and we will work closely with them to achieve this.

- 2.7 We propose to continue to use the NARM funding categories outlined in the NARM Handbook,<sup>4</sup> which sets out the scope of the NARM Funding Adjustment and Penalty Mechanism and its interaction with other mechanisms.
- 2.8 All capex NARM Asset proposed replacement and refurbishment workload for NGN is proposed to be allocated to Category A1 and would be covered by the NARM Funding Adjustment and Penalty Mechanism.
- 2.9 For repex, Tier 1 and associated services are proposed to be funded and incentivised through the Tier 1 mains and the Tier 1 services PCDs. We propose that Tier 2A mains and associated services be funded by a volume driver. These are proposed to be included in Category A2 (Funding Under a Separate Mechanism). We propose that Diversions are subject to a diversions re-opener and reported under A3 (Ring-fenced Project/Activity). These workloads would therefore not be funded under NARM.
- 2.10 All repex replacement and refurbishment not tied to a PCD or a volume driver is proposed to be allocated to Category A1 and would be covered by the NARM Funding Adjustment and Penalty Mechanism.

---

<sup>4</sup> [https://www.ofgem.gov.uk/sites/default/files/2024-07/NARM\\_Handbook\\_v3.1\\_draft.pdf](https://www.ofgem.gov.uk/sites/default/files/2024-07/NARM_Handbook_v3.1_draft.pdf)

---

### 3. Business Plan Incentive (BPI)

- 3.1 This chapter sets out NGN's results for each stage of the BPI, along with the rationale for the result given. For information on what the BPI is and how it is assessed, see the Overview Document.
- 3.2 In assessing business plans against the BPI Stages A and C, we assessed each business plan on its own merit based on criteria set out in the Sector Specific Methodology Decision (SSMD) and Business Plan Guidance. A consistency check was undertaken across companies and sectors to ensure we were being consistent in our assessment; but the business plans were not assessed against one another. For Stage B, depending on the nature of the assessment methodology the companies could be compared against one another within each sector. For further information on Stage B, see Chapter 6 of the GD Annex.
- 3.3 Table 7 sets out our proposed BPI results for NGN and where further information on each stage and the result and rationale can be found.

Table 7: Proposed BPI results for NGN

<b>BPI Stage</b>	<b>Assessment result</b>	<b>Further detail</b>
A	Pass	Overview document for approach to assessment. This chapter for specific views on the assessment result.
B	37.61 bps	Overview Document for approach to assessment. The gas distribution sector document for the network results compared within the sector and an explanation of the assessment methodology. This chapter for specific views on the assessment result.
C	4.78 bps	Overview Document for approach to assessment. This chapter for specific views on the assessment result.
Total bps	42.39 bps	
Total 5-year monetary equivalent, £m	24.2	

#### Stage A

- 3.4 Following our assessment, we consider that NGN met all the minimum requirements, as set out in the Business Plan Guidance, and has passed Stage A of the BPI.

## Stage B

3.5 The overall assessment result for NGN is 37.61 bps, which corresponds to the weighted average of the outcomes from comparative (37.33 bps) and bespoke (0.28 bps) assessment. The following sections provide detail on the assessment of each cost category.

### Comparatively assessed costs

3.6 The table below sets out the comparatively assessed costs and their weightings within the overall Stage B assessment score.

Table 8: BPI scoring for comparatively assessed costs

Comparatively assessed cost category	Weighting	Efficiency benchmark	Efficiency score	BPI reward/penalty (bps)
NGN - Econometric Modelling	93%	0.90	0.84	37.20
NGN - Ratio Benchmarking	6%	0.99	0.99	0.13
Total				37.33

### Bespoke costs

3.7 The table below sets out bespoke costs assessed and the result and rationale for each one assessed.

Table 9: BPI scoring for bespoke cost activities

Bespoke Cost	Weighting	Assessment result	Rationale
ALD (Total Work Management)	0.28%	0.056	Comprehensive CBA with NPV analysis. Options assessments with identification of risks, uncertainties and opportunities, and quantified where necessary, for total cost, unit costs and volumes. Cautious approach to maximise efficiency, including vehicle fleet, for volume.
Cyber capex	0.99%	0.199	Cost evidence is of good quality and directly relevant to the context of funded activity. They are robust and credible compared with industry standards and benchmarks. Unit cost and volume are not applicable, as most cyber resilience projects are one off, and the lack of reliable volume means it is difficult to measure efficient unit costs.

<b>Bespoke Cost</b>	<b>Weighting</b>	<b>Assessment result</b>	<b>Rationale</b>
Cyber UIOLI	0.11%	0.021	Cost evidence is of good quality and directly relevant to the context of funded activity. They are robust and credible compared with industry standards and benchmarks. Unit cost and volume are not applicable, as most cyber resilience projects are one off, and the lack of reliable volume means it is difficult to measure efficient unit costs.
Total		0.276	

## **Stage C**

- 3.8 The below sections set out the assessment results and rationale for the Clarity and Business Plan Commitments assessments for Stage C of the BPI.

### **Clarity**

*Assessment result: -1.4 bps.*

- 3.9 NGN was rated as 'acceptable' against each of the criteria except for 'coherence and justification', against which it scored 'poor'.
- 3.10 For the most part, the layout and structure of NGN's Business Plan flowed logically and had broadly clear signposting. The information conveyed in the business plan was generally presented in accessible language and relevant to the reader. NGN's Business Plan provided adequate evidence of consumer value translating into commitments, proposed spend or other consumer benefits. For the most part, the business plan differentiated clearly between opinions and views on the one hand, and statements of fact on the other.
- 3.11 However, there were multiple areas where it did not provide sufficient reasoning and/or the costs did not clearly align to the narrative. For example, there was no optioneering for many of the Data and Digitalisation (D&D) investments within the main business plan, and those same D&D investments do not align with the categories to which we requested them to align. NGN requested a near tripling in Net Zero And Re-opener Development Fund (NZARD) funding, however it did not qualify this statement with any evidence or justification. It also provided little justification for its asset management investments, and it made no mention of any external accreditation, audits or any wider benchmarking standards underpinning continuous improvement or identifying areas needing more work. On coherence, there were occasions where the reader

was referred to another section for more detail, but that referenced location had no further commentary.

### **Business Plan Commitments**

*Overall assessment result: 6.18 bps*

#### Outcome: Infrastructure fit for a low-cost transition to net zero

*Assessment result: 1.95 bps*

- 3.12 NGN scored 'acceptable' for 'deliverability' and 'consumer value and additionality', and 'outstanding' in 'stretching performance' and 'new company proposals'.
- 3.13 NGN has clearly taken stakeholder views on board and created solid – often outstanding – commitments in this outcome category, with it stretching performance for its commitments and targets around waste and recycling and for its suppliers to meet its supplier code. It demonstrated engagement with its ISG on its new EAP commitments and committed to even more stretching targets in this area following their review. There were some commitments that were not considered 'outstanding' - for example, NGN has maintained or slightly lowered its targets in relation to GHG reduction, which was scored 'acceptable'. However, on balance, we consider this outcome category to be 'outstanding'.
- 3.14 NGN suggested a new common ODI-F for 7 and 28 Day Repair Standards. Its business plan was clear how the ODI-F could be implemented and on the benefits to consumers of its inclusion. As such, we are proposing to introduce a version of this incentive in RIIO-GD3 as we consider it adds value and is applicable to all GDNs. While we have made some changes to NGN's proposal, we have rated NGN as 'outstanding' for new company proposals for this outcome category, as we consider its proposal has led to us introducing a new ODI for all GDNs that will benefit consumers.

#### Outcome: Secure and resilient supplies

*Assessment result: 1.3 bps*

- 3.15 NGN was rated 'outstanding' on 'deliverability' for this outcome category, with all three other criteria scored as 'acceptable'.
- 3.16 NGN did well in tempering expectations and focusing on being realistic to support delivery in this outcome category. For example, when considering options for delivering Tier 1 repex, NGN rejected the 'do all' option in order to make sure the workload was deliverable. Elsewhere, volumes were comparatively low and looked deliverable. NGNs increased emergency response



work also looks deliverable. Additionally, NGN uses a flexible staffing model and the use of direct service providers, which contributes to the deliverability of its workload and allows it to keep costs down for customers.

- 3.17 Generally, we consider NGN hasn't stretched far beyond RIIO-GD2 in terms of workloads and targets, however it delivers its fundamental business-as-usual activities efficiently.

Outcome: High quality of service from regulated firms

*Assessment result: 2.93 bps*

- 3.18 NGN were rated 'outstanding' in 'deliverability', 'consumer value and additionality' and 'New company proposals', and 'acceptable' for 'stretching performance'. Its ambitious business plan commitments demonstrated a well-justified link to consumer priorities which would deliver substantial benefits to consumers in RIIO-GD3.
- 3.19 NGN's Business Plan provided researched evidence of the impact, collaborative partnerships, associated costs and successful delivery of its consumer vulnerability projects in RIIO-GD2. Its use of case studies to support its plan was helpful. NGN also evidenced a clear understanding of consumer vulnerability and its impact on consumers within its region and clearly sets out how it intends to deliver on the commitments in its vulnerability strategy. We therefore consider its 'deliverability' to be outstanding in this area.
- 3.20 NGN's consumer vulnerability commitments were founded on extensive stakeholder engagement, and its proposals represent substantial development beyond its RIIO-GD2 delivery. It has provided a detailed breakdown of its VCMA proposals and clearly explained its strategic decisions in relation to prioritisation and targeting in line with its 21 voluntary commitments. By increasing its shareholder funding of vulnerability initiatives by 20%, NGN has underlined its continuing commitment to supporting consumers in vulnerable situations. We therefore consider it demonstrated 'outstanding' consumer value and new commitments.
- 3.21 While not necessarily stretching, we also welcome NGN's commitment to maintaining high levels of customer satisfaction in RIIO-GD3, and its decision to formalise a Mutual Support Framework with regional DNOs. We also welcome NGN's commitment to transparency and accountability through sharing various data sets, including the number of social media complaints as a percentage of total complaints, through its Open Data Portal.

- 3.22 While we are encouraged that NGN has developed relationships with local authorities to reduce delays in unplanned interruptions, we consider its use of Cadent London's MOB data sets to justify their targets to be poor, particularly given the differences between the networks.

### **Questions**

- NGNQ2. Do you agree with our view that NGN passed all of the minimum requirements and as such are considered to have passed Stage A of the BPI?
- NGNQ3. Do you agree with our assessment results for NGN against Stage B of the BPI?
- NGNQ4. Do you agree with our assessment results for NGN against Stage C of the BPI?

## **4. Managing uncertainty**

- 4.1 This chapter sets out our views on Uncertainty Mechanisms (UMs) that are specific to NGN, including bespoke proposals submitted through its Business Plan or Environmental Action Plan (EAP).
- 4.2 For our Draft Determinations, we do not propose any bespoke UMs for NGN. Please refer to the GD Annex for the common outputs and incentives that will apply to NGN.

### **EAP: Industrial and commercial hydrogen use**

#### **Consultation position and rationale**

- 4.3 In its EAP, NGN proposed £1m of NZARD UIOLI funding to support hard-to-decarbonise power and industrial and commercial sectors to reach net zero via fuel switching to low-carbon hydrogen. NGN proposes to fund investigative design studies with any activities relating to delivering hydrogen repurposing funded via the NZARD mechanism or Hydrogen Transport Business Model (HTBM).
- 4.4 We do not consider this proposal appropriate to fund within the price control as it duplicates the HTBM. In our SSMD, we decided not to fund hydrogen infrastructure for industrial use (including repurposing) through RIIO-3. We therefore consider this activity more appropriate for HTBM funding.
- 4.5 Further details on our RIIO-3 EAP policy design and a high-level cross-sector review can be found in Chapter 4 of the Overview Document, while the GD-specific review can be found in Chapter 3 of the GD Annex. Additional details on our proposed design of the NZARD UIOLI can be found in Chapter 7 of the Overview Document.

NGNQ5. Do you agree that NGN's industrial and commercial hydrogen use proposal should not be eligible for NZARD UIOLI funding?

## 5. Cost of service

### Introduction

5.1 This chapter sets out our proposals for ex ante totex allowances for NGN in RIIO-GD3. This chapter should be read alongside other parts of our Draft Determinations that set out our overall approach to RIIO-GD3. In particular, Chapter 5 of the GD Annex, which provides more detail on our proposed cost assessment approach, and modelling methodology and process.

### Ex ante allowances

5.2 Our proposed ex ante totex forecast comprise forecast controllable costs on a net basis<sup>5</sup> and is inclusive of our proposed ongoing efficiency (OE) challenge, unless otherwise stated. Figures presented in this chapter do not include real price effects (RPEs), to allow direct comparison with other GDNs.

5.3 Table 10 sets out our proposed efficient allowances for NGN's network in RIIO-GD3.

Table 10: NGN RIIO-GD3 submitted totex versus proposed allowed totex (£m, 2023/24 prices)

Network company	GDN	Submitted totex Dec '24	Ofgem proposed totex	Difference DD vs Dec '24 baseline request	Difference (%)
NGN	NGN	1837.2	1568.1	-269.0	-15%

### Summary of assessment

5.4 Before modelling NGN's proposed totex using regression analysis, we excluded costs associated with activities considered better suited to non-regression or technical assessment approaches. Table 11 below details our breakdown of submitted totex for NGN's network.

<sup>5</sup> Net costs are gross costs minus any 'contributions' the GDNs receive from third parties towards the work undertaken. Some activities may have chargeable elements, resulting in full or partial payment by third parties, with the remainder chargeable to customers through the RIIO price control framework.

Table 11: Company submitted totex by cost assessment approach (£m, 2023/24 prices)

<b>Network Company</b>	<b>GDN</b>	<b>Submitted totex</b>	<b>Modelled Regression Costs</b>	<b>Modelled Non-regression Costs</b>	<b>Technically assessed costs</b>
NGN	NGN	1837	1657	135	45
% of total submitted totex		11%	90%	7%	2%

5.1 Table 12 below sets out the proposed modelling cost and efficient totex allowances for NGN in RIIO-GD3. Modelled costs are subject to pre-modelling and benchmarking efficiency adjustments. Technically assessed costs are subject to technical assessment adjustments only. All costs are subject to the OE challenge.

Table 12: Proposed cost adjustments for RIIO-GD3 (£m, 2023/24 prices)

<b>GDN</b>	<b>Modelled cost - pre-modelling adjustments</b>	<b>Modelled costs - benchmarking efficiency</b>	<b>Technically assessed adjustments</b>	<b>Ongoing efficiency adjustments</b>	<b>Total adjustments</b>
NGN	-127	-12	-21	-109	-269

### **Pre-modelling, normalisations and adjustments**

5.2 To ensure that our cost benchmarking is carried out on a comparable basis between GDNs, submitted data may need to be adjusted to correct for inconsistencies and external factors. For example, adjustments may be made to exclude costs that are unsuitable for comparative assessment, or to remove costs associated with work that we propose to either separately assess or where we have not accepted the needs case.

5.3 Table 13 below sets out the proposed pre-modelling adjustments for NGN in RIIO-GD3.

Table 13: Proposed pre-modelling cost adjustments for RIIO-GD3 (£m, 2023/24 prices)

<b>Network</b>	<b>Submitted</b>	<b>Regional and company specific factors</b>	<b>Cost and workload adjustments</b>	<b>Separately assessed adjustments</b>	<b>Costs after adjustments</b>
NGN	1,837.2	-14.5	-169.2	-51.6	1,602.0

- 5.4 For a breakdown of regional and company specific factor adjustments, see Chapter 5 in the GD Annex.
- 5.5 We are proposing to make normalisation adjustments in RIIO-GD2 to account for the different levels of achieved and expected compliance with HSE fatigue legislation. See section 5 in the GD Annex for further details. We are proposing to maintain the historical loss of meterwork adjustment for NGN for RIIO-GD1, but not extend it into RIIO-GD2.
- 5.6 For NGN, we propose to make £149.9m (net) of downward volume-related pre-modelling adjustments to costs based on the outcomes of our engineering assessment. We also propose to remove £22.8m based on the outcome of our assessment of IT & Telecoms.
- 5.7 We have made cost adjustments of £51.6m through our separately assessed non-regression approach, further information can be found in the non-regression section within this chapter.

## **Regression**

### **Pre-modelling engineering and technical review adjustments**

#### Capex proposals

- 5.8 NGN submitted 7 EJPs that we considered justified and recommended for approval without any adjustment to volumes or cost.
- 5.9 In line with our engineering technical review recommendation, we have removed those costs associated with NGN's Offtakes and PRS filters, Offtakes & PRS electrical and instrumental reducing costs by £20.8m.
- 5.10 We have removed £29.4m of costs from NGN's Offtakes odorant and metering, Offtakes & PRS Preheating and Offtakes & PRS pressure control proposals where our engineering assessment considered plans to be partially justified. More information on this assessment can be found in the engineering assessment appendix.

### Repex proposals

- 5.11 We propose to reduce the costs of NGN's mandatory repex by £14.4m where more evidence would be required to support the need for the proposed work retainer.
- 5.12 We have reduced costs associated with NGN's non-mandatory mains and services plan to reflect the uncertainty in diversion workload by £16.5m, and propose to set PE Mains workload to a similar level to RIIO-GD2, reducing costs by £4.7m.
- 5.13 We propose to not include any forecasts for iron stubs costs at Draft Determinations, see Chapter 5 of the GD Annex for further information.
- 5.14 As discussed in Chapter 3 of the GD Annex, we applied a CBA-payback cutoff to non-mandatory repex work. This has resulted in removing £53.7m of costs for Tier 3 mains for NGN.

### IT&T proposals

- 5.15 We assessed NGN's IT and Telecoms and systems operation costs (excluding cyber and data & digitalisation) as part of a separate review by our consultants AtkinsRéalis and Grant Thornton. See our GD Annex for our assessment approach.
- 5.16 NGN submitted £30.4m of costs for IT & Telecoms projects, in 21 separate investment proposals. The review covered all the funding requested by NGN where information was available; however, this information was generally limited, and in some cases, the requested funding was unclear. Our consultants reviewed 80% of the overall funding request from NGN. The expert review of each proposed investment recommended that £7.6m of the overall proposed costs should be allowed based on an assessment of the needs case, value for money, optioneering and the appropriateness of cost levels associated with the proposed work plans. In line with these proposals, we propose to reduce submitted costs by £22.8m.

### **Cost drivers**

- 5.17 In this section we describe our proposed adjustments to the drivers that make up the totex Composite Scale Variable (CSV) used in our regression model. Adjustments were made to reflect engineering and costs assessment reviews of NGN's Business Plan. Details on adjustments made are provided for each major cost category: opex, repex and capex.

5.18 Table 14 below details the proposed adjustments to the cost drivers for NGN in RIIO-GD3

Table 14: Proposed adjustments to the cost drivers for NGN in RIIO-GD3

CSV driver	Unit	Submitted	Modelled	Difference	Difference (%)
Repex	£m	898	858	-40.6	-4.5%
Reinforcement	£m	27.2	13.6	-13.6	-50%
Connections	£m	22.3	22.3	0.0	0.0%
Emergency CSV <sup>6</sup>	Number	4,369,589	4,369,589	0.0	0.0%
External condition reports	Number	60,189	60,189	0.0	0.0%
Maintenance MEAV	£m	9,990	9,990	0.0	0.0%
MEAV	£m	50,626	50,626	0.0	0.0%
Total <sup>7</sup>	Number	7,733	7,534	-199	-2.6%

5.19 We have not proposed any adjustments to NGN's submitted MEAV, customer numbers and external condition reports.

5.20 We have proposed downward adjustments to NGN's capex synthetic reinforcements driver by removing workloads, reflecting the outcome of our engineering assessment.

5.21 We have proposed downward adjustments to NGN's repex synthetic driver, reflecting the outcome of our engineering assessment. We removed workloads for Tier 3.

## Non-regression

5.22 This section presents an overview of our proposed non-regression assessment for NGN, including adjustments to costs and workloads. The analysis covered the following categories: Multiple Occupancy Buildings (MOBs), diversions, growth governors, streetworks, smart metering and land remediation.

5.23 Table 15 below sets out the proposed non-regression cost adjustments for NGN in RIIO-GD3. Where we present modelled costs in the tables below, these are

<sup>6</sup> Emergency CSV is compiled of customer numbers and external condition reports which make up 80% and 20% respectively.

<sup>7</sup> The total is derived by multiplying the weighted drivers together.



pre-application of the benchmarking and OE adjustments. Our proposed reductions are a combination of cost reductions from removing workloads or costs deemed unjustified following engineering review and application of our proposed non-regression cost assessment approaches. See Appendix 1 for further details of the engineering review and Chapter 5 of the GD Annex for further description of our non-regression assessment approaches.

Table 15: Proposed non-regression cost adjustments for RIIO-GD3 (£m, 2023/24)

<b>Separately assessed activity</b>	<b>Submitted</b>	<b>Modelled</b>	<b>Difference</b>	<b>Difference (%)</b>
Multiple Occupancy Buildings (MOBs)	7.4	7.4	0	0%
Diversions	23.97	0	-23.97	-100%
Streetworks	100.61	88.43	-12.17	-12%
Smart metering	0	0	0	0%
Land remediation	3.16	3.16	0	0%
SIU	0	0	0	0%
Growth Governors	0	0	0	0%
NGN Total	135.14	98.99	-36.15	-27%

### **Technically assessed costs**

- 5.24 This section contains an overview of our approach to technical assessment for NGN, including our proposed adjustments to submitted costs. For each category, we present a summary of submitted and our proposed costs (excluding ongoing efficiency).
- 5.25 Table 16 below sets out the proposed adjustments we have made through technical assessment for RIIO-GD3.

Table 16: Summary of technically assessed costs (£m, 2023/24 prices)

	<b>Submitted allowance</b>	<b>Proposed allowance (excluding ongoing efficiency)</b>	<b>Difference (%)</b>
Technically assessed capex and repex projects	0	0	n/a
ALD	4.9	4.9	0%
DPLA	14.3	0.0	-100%
Cyber	[REDACTED]	[REDACTED]	[REDACTED]
PSUP	[REDACTED]	[REDACTED]	[REDACTED]
Iron Stubs	4.9	0.0	-100%

#### Technically assessed and bespoke project proposals

5.26 We do not propose to assess any of NGN's submitted costs under this category.

#### PSUP proposals

5.27 We have shared our approach to PSUP assessment directly with the network companies, due to the sensitive nature of this area.

#### Cyber proposals

5.28 A detailed breakdown of our consultation position is in confidential annexes that have been shared directly with the network companies for private consultation.

#### Other proposals

5.29 We propose to accept NGN's costs of £4.9m for the rollout of advanced leakage detection (ALD) technology across its network. We are proposing to fund DPLA through the NZASP re-opener, therefore we have removed £14.3m from baseline totex. See Chapter 3 of the GD Annex for further details.

### **Proposed cost exclusions from totex**

5.30 In this section we provide further details of the cost activities that NGN proposed for technical assessment or as bespoke outputs (ie cost to be excluded from the totex regression) in its business plans, but which we have chosen not to exclude from the totex regression at DDs.

5.31 In our SSMD we stated that we will continue to set a high threshold for costs that meet specific criteria that justify evaluation outside totex benchmarking. These include materiality, where the costs are significant enough to merit

individual scrutiny, and comparability, where unique or bespoke circumstances make cross-company comparisons impractical. Companies must also provide robust justification for separate treatment, demonstrating that the proposal is both deliverable and efficient. Crucially, the project must offer clear consumer benefits, such as enhanced service, reduced risk, or long-term savings.

5.32 In its plan, NGN made the following proposals for cost exclusion:

- Digital leakage platform implementation.
- Hydrogen blending.
- East Coast Hydrogen FEED Wider Impact.
- Connections uncertainty.
- Low emission vehicles.

5.33 We have evaluated each of these claims for cost exclusion from comparative regression benchmarking and propose not to exclude them as they do not meet the criteria set out in our SSMD for separate assessment.

## **Engineering assessment of NGNs business plan**

### **EJP Review Overview**

5.34 Our review of the Engineering Justification Papers (EJPs) is a critical step in determining whether the needs case for proposed workloads has been justified.

#### Referencing

5.35 For EJP descriptions please refer to the Draft Determinations Overview Document.

5.36 For NGN EJP recommendations please see Appendix 1.

#### EJP Quality and Data Provision

5.37 NGN EJP submissions were written coherently across the complete portfolio and overall provided suitable narrative to justify the needs case.

5.38 However, there were cases where inconsistent data did not support the proposed intervention volumes, which impacted our scope and optioneering confidence.

5.39 We have requested data to better understand asset health condition and planned interventions, especially in circumstances where an unconstrained NARM approach is utilised.

5.40 When NGN did provide data, it was clear and easy to understand, it however lacked consistency in volumes and the planned intervention type.

### Consultation Response Expectations

- 5.41 To ensure that we extract the maximum consumer value we have detailed our expectations for NGNs consultation response in Table 2, Appendix 1.

### Assessment

- 5.42 Ofgem's Engineering & Technology Directorate reviewed 16 NGN Engineering Justification Papers (EJP) totalling approximately £1.20bn, planned for the RIIO 3 price control period. Following our technical review and analysis we considered that 6 EJPs were fully justified and recommended for approval without any volume adjustments. Observations in scope confidence were highlighted against Offtakes & PRS<sup>8</sup> Civils and Governors, but we found the risk associated could be sufficiently mitigated.
- 5.43 We considered a further 6 EJPs as partially justified, where either the needs case, optioneering, or scope insufficiently justified the full request. The data provided for risers and offtakes, odorant and metering does not fully support the investment need for all assets. There were discrepancies in the data provided for offtakes and PRS preheating and offtakes and PRS pressure control which created uncertainty in scope, resulting in recommended volume reductions.
- 5.44 We considered that 4 EJPs are currently unjustified. These include offtakes and PRS filters, offtakes and PRS electrical and instrumental, reinforcement-governors and mains and net zero research village. Overall, it was determined that there was too much uncertainty with these proposals, and more robust data would be required to justify these investments, as detailed in Appendix 1. This will enable us to better understand the scope of works to be completed during the RIIO-3 price control period. The net zero research village needs case was not justified and the paper did not adequately articulate why the proposal provides an advantage, opposed to investing in current research facilities or academic institutions.

### **Questions**

NGNQ6.	Do you agree with our engineering assessment of NGN's RIIO-3 Business Plan?
--------	---

## **6. Innovation**

---

<sup>8</sup> Pressure Reduction Station

## **Background**

- 6.1 The SSMD, Business Plan Guidance and Overview Document identify the criteria and process that we have used to assess NIA funding requests. The Overview Document also details our proposals for NIA oversight, the SIF, increasing third party involvement and innovation deployment.
- 6.2 We set out below our Draft Determinations on NGN's RIIO-3 NIA funding.

## **Consultation position and rationale**

### Summary of consultation position

**Level of Network Innovation Allowance (NIA) funding:** In its Business Plan, NGN requested £15.5m in NIA funding. Following our assessment, we are minded to award £9.7m.

- 6.3 Innovation Strategy: NGN's Innovation Strategy sets out how it plans to use its NIA funding to achieve its broader work and the RIIO-3 outcomes. Its key areas of focus are around consumer vulnerability, the energy system transition and digitalisation.
- 6.4 NIA Workstreams: For the reasons set out in our Overview Document (Chapter 10), we have decided that NIA is not the most appropriate route for further work relating to future of gas and hydrogen and so have reduced NGN's NIA award by £3.07m, to reflect the workstreams in its "Energy System Transition" area of focus that we assessed to be hydrogen or future of gas related. These were projects 1, 5, 8 and 9 from "Enabling decarbonisation through whole energy solutions" and projects 4, 5 and 6 from "Decommissioning and repurposing of existing gas networks as we move towards future systems".
- 6.5 Business Plan Assessment: After assessing NGN's Business Plan against the criteria set out in the Business Plan Guidance (par. 3.13), it was scored against each of these based on whether it had provided sufficient evidence to justify the amount of NIA it was requesting. Based on NGN's score, we decided to reduce its NIA award by a further 22%. From the criteria, we would have expected additional detail to be given in the following areas:
- Key areas of focus for NIA spending: While NGN lays out its areas of focus at a high-level, we would expect further detail to be provided here on the problems identified, and why the specific solutions were chosen to address these.

- Amount of funding and justification: We would have expected more information to be given justifying the amount of funding that NGN has requested and how they arrived at it.
- Network collaboration to identify and deliver NIA projects: We would expect more detail to be given on how it will collaborate with other networks to identify and deliver projects, including the process it goes through and how it works in practice.
- Ensuring projects aren't duplicative: NGN gave insufficient information on how it will ensure that projects aren't duplicative of previously funded innovation work, and didn't provide sufficient detail on the processes they have in place to accomplish this.
- Proposals to disseminate: We expected further information to be shared regarding NGN's past dissemination efforts, as well as future plans for dissemination.
- An explanation of why the innovation in question cannot be funded from the totex allowance: NGN provided insufficient information as to why each innovation workstream it is requesting funds for cannot be funded through the totex allowance.

## Questions

NGNQ7.	Do you agree with the level of proposed NIA funding for NGN?
--------	--

## **7. Data and Digitalisation**

### **Introduction**

- 7.1 The SSMD, Business Plan Guidance and Overview document identify the criteria and process that we have used to assess the funding of proposed data and digitalisation investments. The Overview document also details our proposals for further digitalisation of the sector through the existing Digitalisation licence condition, a proposed Data Sharing Infrastructure (DSI) licence condition, and a Digitalisation Re-opener.
- 7.2 We have set out below our Draft Determinations on NGN's RIIO-3 data and digitalisation funding.

### **Consultation position and rationale**

- 7.3 NGN's digitalisation investments are underpinned by a set of enabling projects designed to allow for the introduction of multiple digital solutions – as opposed to building point solutions for individual technology use cases. This combined with increasing in-house expertise and support can help give NGN the flexibility it might need to adapt to new or different technologies whilst providing value for money to consumers. These enabling projects are mostly centred around developing an internal enterprise architecture system.
- 7.4 NGN was able to evidence how investments were linked to the Data Best Practice principles, in both its business plan and its updated Digitalisation Strategy & Action Plan. This included noting how compliance is embedded within the organisation through a specific team.
- 7.5 We required all licensees to signpost investments that would allow them to connect and utilise the Data Sharing Infrastructure (DSI) effectively. During the assessment period for business plans, we have published our decision on governance of the DSI.<sup>9</sup> We are confident that the proposed investments being made by NGN will allow them to effectively connect to and utilise the DSI. In particular, NGN proposed investment into a Data Preparation Node, and noted its engagement with NESO on developing the DSI.
- 7.6 We identified one investment which was miscategorised as data and digitalisation and reassigned to IT and Telecoms - "Build in Inclusivity software such as Recite Me" totalling £0.05m.

---

<sup>9</sup> [Governance of the Data Sharing Infrastructure | Ofgem](#)

- 7.7 We are minded to reject one investment "Enhanced UI for the capture and analysis of financial data" totalling £0.2m or 2% of proposed investment. This investment had insufficient justification and explanation of what needed to be done and why.

### **Summary of consultation position**

**Level of data and digitalisation funding:** In its Business Plan, NGN requested £9.61m of investment. We identified a miscategorised investment totalling £0.05m and leaving £9.56m in data and digitalisation funding. Following our assessment, we are minded to award £9.4m, or 98% of proposed investment.

### **Questions**

NGNQ8.	Do you agree with our proposed level of funding for NGN's data and digitalisation investments?
--------	--



## 8. Your response, data and confidentiality

All proposals published as part of these documents are draft proposals, subject to consultation. We will publish our decisions on the RIIIO-3 price controls in our Final Determinations later this year. We will implement our Final Determinations by modifications to the companies' licence conditions, after further consultation on licence drafting.

### Consultation stages

- 8.1 Table 17 below sets out the key stages for this consultation and how we will progress from Draft Determinations to Final Determinations

Table 17 : Consultation Stages

Stage	Date
Consultation Open	01/07/2025
Consultation closes (awaiting decision). Deadline for responses	26/08/2025
Final Determinations (including publication of consultation responses)	Winter 2025

### How to respond

- 8.2 We want to hear from anyone interested in this consultation. Please send your response to [RIIO3@ofgem.gov.uk](mailto:RIIO3@ofgem.gov.uk).
- 8.3 We've asked for your feedback in each of the questions throughout. Please respond to each one as fully as you can.
- 8.4 We will publish non-confidential responses on our website at [www.ofgem.gov.uk/consultations](http://www.ofgem.gov.uk/consultations).

### Your response, your data and confidentiality

- 8.5 You can ask us to keep your response, or parts of your response, confidential. We'll respect this, subject to obligations to disclose information, for example, under the Freedom of Information Act 2000, the Environmental Information Regulations 2004, statutory directions, court orders, government regulations or where you give us explicit permission to disclose. If you do want us to keep your response confidential, please clearly mark this on your response and explain why.
- 8.6 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'll get in touch with

you to discuss which parts of the information in your response should be kept confidential, and which can be published. We might ask for reasons why.

- 8.7 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 2.
- 8.8 If you wish to respond confidentially, we'll keep your response itself confidential, but we will publish the number (but not the names) of confidential responses we receive. We won't link responses to respondents if we publish a summary of responses, and we will evaluate each response on its own merits without undermining your right to confidentiality.

### **General feedback**

- 8.9 We believe that consultation is at the heart of good policy development. We welcome any comments about how we've run this consultation. We'd also like to get your answers to these questions:
1. Do you have any comments about the overall process of this consultation?
  2. Do you have any comments about its tone and content?
  3. Was it easy to read and understand? Or could it have been better written?
  4. Were its conclusions balanced?
  5. Did it make reasoned recommendations for improvement?
  6. Any further comments?

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

## How to track the progress of the consultation

You can track the progress of a consultation from upcoming to decision status using the 'notify me' function on a consultation page when published on our website. Choose the notify me button and enter your email address into the pop-up window and submit.

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

Notify me +

Would you like to be kept up to date with *Consultation*  
*name will appear here?* subscribe to notifications:

**Email\***

Submit >

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

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

## Appendix 1 – Summary of Engineering Review

Table 18: Summary of NGN Approvals

<b>OSR</b>	<b>Title</b>
A22.j.NGN	LTS Pipelines
A22.f.NGN	Offtakes & PRS Civils
A22.h.NGN	Governors
A22.k.NGN	Overcrossings
A22.o.NGN	Pressure Management
A22.n.NGN	Major Project - River Allen

Table 19: Summary of NGN EJP Recommendations

<b>EJP</b>	<b>Needs Case</b>	<b>Optioneering</b>	<b>Scope Confidence</b>	<b>Comments</b>
Mandatory Repex	Justified	Justified	Justified	Proposed outcome: Partially justified. We propose a cost reduction.

<b>EJP</b>	<b>Needs Case</b>	<b>Optioneering</b>	<b>Scope Confidence</b>	<b>Comments</b>
A22.L.NGN				The mandatory repex workload was well considered and justified, however the requirement for the work retainer was not sufficiently justified in the EJP submission. More evidence would be required to support the need for the work retainer and has been reduced from costs.
Non-Mandatory Mains and Services A22.m.NGN	Partially Justified	Justified	Medium Confidence	<p>Proposed outcome: Partially justified. We propose re-opener funding may be more appropriate for diversions.</p> <p>The parameters of the project are well defined, and the annual volumes proposed for each category of pipeline is detailed in a workload profile. There is a level of uncertainty for diversions, as these will primarily be due to build overs and environmental impacts which cannot be predicted and evidence to support proposed volumes has not been provided. Diversion volumes have currently been removed. NGN need to provide more substantive evidence to support diversion volumes for final determinations or defer to a re-opener if this is not possible.</p>
Risers A22.p.NGN	Partially Justified	Justified	High Confidence	<p>Proposed outcome: Partially justified. We propose to reduce volumes.</p> <p>Reduce workload to 37 steel risers as PE risers do not have sufficient justification. Costs are uncertain, a detailed breakdown was not provided and is based on per building as opposed to number of risers present which is different from other gas distribution networks and creates uncertainty. More narrative is required to justify the needs case for intervention on specific PE riser assets as the asset health score is the same for all assets or alternative asset data or inspection data should be provided which is more representative of the asset's health and requirement for intervention</p>

<b>EJP</b>	<b>Needs Case</b>	<b>Optioneering</b>	<b>Scope Confidence</b>	<b>Comments</b>
Offtakes Odorant and Metering A22.e.NGN	Partially Justified	Justified	High Confidence	<p>Outcome proposed: Partially justified. We propose to reduce volumes.</p> <p>Most of these investments are considered justified, except for ultrasonic meters and their associated E&amp;I assets. Evidence would need to be provided to support the need to replace these meters due to accuracy or non-compliance concerns.</p>
Offtakes & PRS Filters A22.b.NGN	Partially Justified	Not Justified	Low Confidence	<p>Outcome Proposed: Unjustified.</p> <p>Investment is lacking in justification of need, optioneering and scope confidence and therefore not included in these Draft Determinations. A full data repository was provided, but the volumes between the data and EJP were inconsistent. Costs are based on full system replacement as opposed to individual filters although NGN stated good condition filters will remain in service which is contradictory, creating a lack of coherence in NGNs approach. Unconstrained NARM modelling is used to establish workloads which is prioritising investment based on maximum whole life costs. More detailed narrative is required to explain the decision process when selecting assets for investment to justify the needs case.</p>
Offtakes & PRS Preheating A22.d.NGN	Partially Justified	Justified	Medium Confidence	<p>Outcome Proposed: Partially justified. We propose to reduce volumes.</p> <p>Overall, the paper is well written and justified. However, we have made volume adjustments due to inconsistencies between the EJP and the provided data. The intervention type should be clear in the asset data provided alongside all intervention volumes as the lack of such data undermines our confidence in the funding requested as there are significant cost differences between replacement and refurbishment interventions.</p>

<b>EJP</b>	<b>Needs Case</b>	<b>Optioneering</b>	<b>Scope Confidence</b>	<b>Comments</b>
Offtakes & PRS Pressure Control A22.c.NGN	Partially Justified	Justified	Low Confidence	<p>Outcome Proposed: Partially Justified. We propose to reduce volumes.</p> <p>We have a lack of confidence over the need and scope of this investment. The global asset data provided does not help support investment as improvement in asset health score is not tabulated in presented data. Only 7 volumes are detailed as getting investment with the remainder being selected during the price control period which creates uncertainty around need and programme volumes. Reason for investment is unclear from the health index scores. No Lineguard or regulator asset data has been provided to support needs case. A complete asset dataset for all intended interventions is required to justify need for the full work programme.</p>
Offtakes & PRS Electrical & Instrumental A22.g.NGN	Partially Justified	Partially Justified	Medium Confidence	<p>Outcome Proposed: Unjustified</p> <p>NGN have stated they are looking to replace obsolete and outdated equipment. Age alone would not be a reason to invest if there are no failure rates. Asset health data for all assets has not been provided and would be required for global repository, highlighting health and fault rates on sites for intervention, especially considering design life differences between NGN and other distribution networks.</p>
Reinforcement - Governors & Mains A22.i.NGN	Partially Justified	Partially Justified	Medium Confidence	<p>Outcome Proposed: Unjustified. We propose a re-opener may be more appropriate.</p> <p>The need for reinforcement work dictated for RIIO3 is not specific to any particular asset, area or demand forecast. We would require more substantive evidence to support needs case and volumes or a possible re-opener when this evidence is available.</p>

<b>EJP</b>	<b>Needs Case</b>	<b>Optioneering</b>	<b>Scope Confidence</b>	<b>Comments</b>
Net Zero Research Village A22.q.NGN	Not Justified	Partially Justified	Medium Confidence	Outcome Proposed: Unjustified  This is a submission for funding to build a purpose designed research facility on an existing research site. We do not currently consider the need justified, as opposed to investing in existing research facilities or academic institutions and the paper does not adequately articulate why this proposal provides an advantage. The optioneering and scope is clear only for the new build option.



---

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

### **Personal data**

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

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

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

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

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

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

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

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

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

We will not share your personal data with any other person or organisation.

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

Your personal data will be held for 12 months after the project is 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 3<sup>rd</sup> parties
  - tell us your preferred frequency, content and format of our communications with you
  - to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at <https://ico.org.uk/>, or telephone 0303 123 1113.

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

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

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

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

---