

Consultation

RIIO-3 Draft Determinations - Wales & West Utilities (WWU)

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Contact:	Network Price Controls
Team:	RIIO-3
Telephone:	020 7901 7000
Email:	RIIO3@ofgem.gov.uk

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.

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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 Wales & West Utilities (WWU) 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 WWU-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).¹
- 1.3 Chapter 3 describes our assessment of WWU'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 WWU. 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 WWU's costs and engineering justifications for the RIIO-GD3 period.
- 1.6 Chapters 6 and 7 describe our assessment of WWU's innovation and digitalisation strategies respectively.

Navigating the RIIO-3 Draft Determinations documents

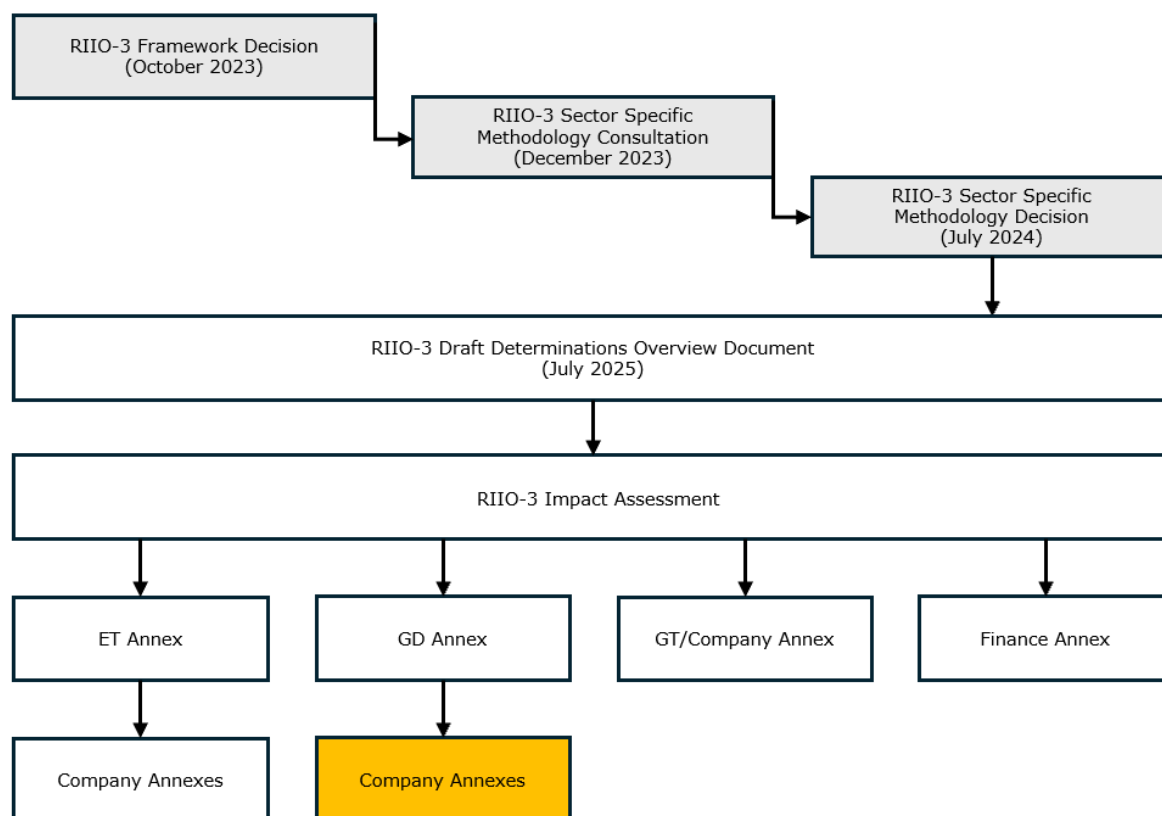
- 1.7 The RIIO-3 Draft Determinations are comprised of an Overview Document, a Finance Annex and sector annexes for ET, GD and GT. The sector annexes are underpinned by a RIIO-3 Impact Assessment, company annexes² and, where relevant, technical annexes. This document is the WWU Annex. Figure 1 below 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

¹ ODIs can be either financial (ODI-F) or reputational (ODI-R).

² 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.³ 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 WWU's RIIO-GD3 Price Control

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

³ RIIO-3 Call for Evidence, <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)

Cost area	WWU submitted totex	Ofgem proposed totex	Difference (£m)	Difference (%)
Baseline totex	2,190.3	1,501.7	-688.6	-31.4
Network Innovation Allowance (NIA)	37.9	11.8	-26.1	-68.9
Passthrough	573.0	573.0	0.0	0.0
Ex ante allowances	2,801.2	2,086.5	-714.7	-25.5

Table 2: Proposed outputs package

Output name	Output type	Sector(s)	Further detail
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

Output name	Output type	Sector(s)	Further detail
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

UM name	UM type	Sector(s)	Further detail
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

UM name	UM type	Sector(s)	Further detail
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
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

BPI Stage	WWU outcome (Bps RoRE)	Further detail
Stage A	Pass	Overview Document and this document
Stage B	-6.55 bps	Overview Document, GD Annex and this document
Stage C	-3.78 bps	Overview Document and this document

Table 5: Proposed financing parameters

Area	WWU outcome	Further detail
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 is here to set out our views on outputs and incentives that are specific to WWU.
- 2.2 WWU did not propose any bespoke outputs or incentives through its business plan. Please refer to the GD Annex for the common outputs and incentives that will apply to WWU.

Network Asset Risk Metric (NARM)

- 2.3 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)	4.26
Iron Mains	65.70
Steel Mains	2,030.84
Other Mains	0
Services	180.68
Risers	9.23
Offtake Filters	29.03
PRS Filters	0
Offtake Slamshut/Regulators	104.53
PRS Slamshut/Regulators	0
Offtake Pre-heating	20.38
PRS Pre-heating	0
Odourisation & Metering	0.08
District Governors	17.96
I&C Governors	0
Service Governors	0
Total	2,462.68

- 2.4 For some asset categories, it was difficult to align the BNRO and volumes submitted in WWU's NARM Business Plan Data Template (BPDT) with the volume data submitted in its Business Plan and Engineering Justification Papers (EJPs).
- 2.5 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.
- 2.6 We propose to continue to use the NARM funding categories outlined in the NARM Handbook⁴, which sets out the scope of the NARM Funding Adjustment and Penalty Mechanism and its interaction with other mechanisms.
- 2.7 All Capex NARM Asset proposed replacement and refurbishment workload for WWU is proposed to be allocated to Category A1 and would be covered by the NARM Funding Adjustment and Penalty Mechanism.
- 2.8 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.
- 2.9 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.

⁴ 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 WWU'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 WWU and where further information on each stage and the result and rationale can be found.

Table 7: Proposed BPI results for WWU

BPI Stage	Assessment result	Further detail - please refer to
A	Pass	Overview Document for approach to assessment. This chapter for specific views on the assessment result.
B	-6.55 bps	Overview Document for approach to assessment. The GD Annex 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	-3.78 bps	Overview Document for approach to assessment. This chapter for specific views on the assessment result.
Total bps	-10.33 bps	
Total 5-year monetary equivalent, £m	-5.9	

Stage A

- 3.4 WWU's business plan did not comply with minimum requirement 5, 'The GDN must provide evidence that it has worked with stakeholders to develop targets to reduce shrinkage by the end of RIIO-3, and the EAP must explain clearly how the GDN will deliver against these targets.' There was no direct mention in its business plan of WWU working with stakeholders to develop its proposed shrinkage targets. This is a technical fail of the minimum requirement as this
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evidence is not in WWU's Business Plan. However, on review of information contained within the stakeholder engagement and decision log, environment and sustainability is referenced (although not specifically on shrinkage). In the company's ISG's Call for Evidence response, there is no direct mention of shrinkage, however it is clear the ISG was involved in setting the EAPs (in which shrinkage sits). Given there is evidence from the decision log and the ISG call for evidence that some engagement has happened on environment, we consider that, when we take into account proportionality in our assessment, the omission of this in the business plan is immaterial and does not warrant failure against BPI Stage A. Therefore, following our assessment, we consider that WWU has passed Stage A of the BPI.

Stage B

3.5 The overall assessment result for WWU is -6.55 bps, which corresponds to the weighted average of the outcomes from comparative (-6.22 bps) and bespoke (-0.33 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)
WWU - Econometric Modelling	92%	0.90	1.01	-6.08
WWU - Ratio Benchmarking	5%	0.99	1.06	-0.14
Total				-6.22

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	BPI reward/penalty (bps)	Rationale

Consultation - RIIO-3 Draft Determinations - Wales & West Utilities (WWU)

ALD (IT&Telecoms)	0.13%	0.000	Fair cost evidence and uncertainties referenced with timelines. Adequate evidence on unit costs (including purpose and ideal results, and trials run for compatibility) and volumes (including technology provider selection and balanced level for initial caution and efficiency).
ALD capex	0.21%	0.000	Fair cost evidence and uncertainties referenced with timelines. Adequate evidence on unit costs (including purpose and ideal results, and trials run for compatibility) and volumes (including technology provider selection and balanced level for initial caution and efficiency).
Cyber opex	1.68%	-0.337	Limited evidence to justify many of the costs submitted. Some costs appear to have been significantly rounded, submitted incorrectly, in the wrong price base or in an unsuitable format. Unit cost and volume are not applicable, as most cyber resilience projects are one off, and difficult to create overall measure of volume and unit costs, although individual unit costs have been benchmarked and compared.
Cyber capex	0.40%	-0.079	Limited evidence to justify many of the costs submitted. Some costs appear to have been significantly rounded, submitted incorrectly, in the wrong price base or in an unsuitable format. Unit cost and volume are not applicable, as most cyber resilience projects are one off, and difficult to create overall measure of volume

			and unit costs, although individual unit costs have been benchmarked and compared.
PSUP capex	0.41%	0.082	Cost data are provided in BPDT, supplemented with supporting evidence in BPDT commentary.
Total		-0.334	

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: -2.8 bps.

- 3.9 WWU's Business Plan was mostly scored 'acceptable' but scored 'poor' against 'accessibility and conciseness' and 'coherence and justification'.
- 3.10 The information provided in WWU's Business Plan was consistently presented in language that could have been more accessible. Different terms were often used interchangeably, often using technical language rather than plain English for the same investment or project, which made it difficult to follow. For example, one investment was dubbed 'Ventex' (which was misspelt and should've been 'Ventyx') within the BPDT Commentary, 'ServiceSuite' within a Supplementary Question (SQ) response and 'Hitachi ServiceSuite' within a justification paper.
- 3.11 Investment drivers or sections detailing ambitions and priorities were often hard to follow and could have been described in simpler, more concise language, such as Section 3.1 - 'Supporting Net Zero' within WWU's Business Plan. Different categories of targets, ambitions, priorities and strategies were difficult to understand. For example, the 'Sustainability Strategy Targets' on page 36 which set out WWU's 'RIIO-GD3 Ambitions', and its 'Net Zero Strategy' which set out its 'RIIO-GD3 Priorities' on the following page. The distinction between these two different strategies, alongside how they were tied to investment proposals, could have been made in less technical and more concise language.
- 3.12 Images of United Nations Sustainable Development Goals (UN SDGs) used throughout the business plan were of poor quality and hard to read, and the diagram on page 68 also contained text that was too small and therefore difficult to read. Regarding Asset Management, picture formats and lagging caused major issues for accessibility. Lastly, both the NARM Commentary and
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the Cost and Benchmarking annex were overly concise, with the latter containing little explanation behind cost drivers.

- 3.13 On balance, WWU's Business Plan lacked coherence and a clear thread that brought its different parts together and some activities were insufficiently justified. WWU started to use the UN SDGs as the golden thread throughout its business plan, however they were not mentioned consistently. Commitments were scattered throughout the document and did not use consistent language for similar activities. The list on page 11 did not match the commitments pulled out on pages 23 to 25, and there were different commitments in the body of the text. There was little to no justification given for digitalisation investment lines, with some of them (as mentioned above) inconsistently named throughout the submission and SQ responses. Regarding the NARM BPDT, the granularity on certain assets was missing, making it very difficult to align to costs and volumes. Within the Cost and Benchmarking annex, WWU proposed an expansion of the HSE Policy Re-opener with little justification. WWU's Cyber Resilience Business Plan was poor. In particular, many of the projects submitted in the Cyber Resilience Investment Documents had inadequate justifications and SQs were needed to gather essential information such as risk assessments.

Business Plan Commitments

Overall assessment result: -0.975 bps

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

Assessment result: 0 bps

- 3.14 WWU's Business Plan commitments under this outcome category were given a score of 'acceptable' under each assessment criteria.
- 3.15 WWU's 'infrastructure fit for a low-cost transition to net zero' commitments include a modest shrinkage target, despite stakeholders urging WWU to do whatever it can to reduce it. It also has ambitious hydrogen readiness targets, but it is unclear how these relate to current government policies.
- 3.16 Its scope 1 and 2 emissions reduction target is acceptable and moderate, and it will bring some consumer value and positive environmental impacts. Its embodied carbon commitment is an acceptable, non-stretching target that will increase WWU's efficiency. WWU's supply chain commitments are also acceptable, non-stretching targets that will increase its environmental efficiency and trust in the organisation's supply chain. Its waste and resource management commitments are detailed commitments with quantifiable targets, bordering on outstanding in its level of detail regarding stakeholder support and
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deliverability. And lastly, its ecological commitments are strong, broad and multi-targeted commitments that will improve WWU's ecological footprint.

- 3.17 On the whole, we consider WWU's 'infrastructure fit for a low-cost transition to net zero' commitments to be acceptable.

Outcome: Secure and resilient supplies

Assessment result: 0 bps

- 3.18 We consider WWU's Business Plan commitments in this outcome to be 'acceptable' under each assessment criteria.
- 3.19 WWU's Business Plan workloads and EJPs were adequately well constructed for this outcome. There is a slight increase in mandatory repex workload from RIIO-GD2, however it appears deliverable, and WWU has considered deliverability in its phasing. While, in our view, the business plan doesn't create significant additional value with regards to 'secure and resilient supplies', the business plan commitments demonstrate value in line with what is currently delivered under RIIO-GD2.
- 3.20 Overall, WWU's Business Plan shows ambition and delivery in line with RIIO-GD2 but does not go substantially beyond this. The commitments were underpinned by sufficient evidence, with a credible plan for delivery.

Outcome: High quality of service from regulated firms

Assessment result: -0.975 bps

- 3.21 We consider WWU's Business Plan, with regards to 'high quality of service from regulated firms', to be acceptable in most areas. However, we consider its 'stretching performance' commitment to be poor as its proposed targets are generally inadequately justified and lacking in sufficient detail to determine whether they are materially more stretching or achievable than in RIIO-GD2.
- 3.22 WWU has set stretching targets of providing 38,000 carbon monoxide (CO) alarms in RIIO-GD3 (up from 16,900 in RIIO-GD2) and reaching 370,000 people through CO awareness campaigns and education. It has also committed to train engineers to deliver CO tests following emergency callouts, which we welcome.
- 3.23 However, other non-CO commitments are more difficult to assess effectively as there is no RIIO-GD2 comparison available in terms of reach or scale, and there are few detailed examples of the types of work being delivered. While WWU indicated an ambition to target, reach and support twice as many customers through vulnerability and CO safety initiations (716,000 homes in RIIO-GD3), the high-level breakdown provides limited insight into the nature of this support.
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Relative to its customer base, WWU requested the highest VCMA funding of any GDN, and we would expect greater detail and clarity to justify this. However, we welcome WWU's consideration of how it can support a just transition and expect this to be acted upon during RIIO-GD3.

- 3.24 While WWU's target of achieving an average CSAT score of more than 9/10 represents a commitment to high quality customer service, we do not consider that this is a stretching target given WWU is already scoring above this in RIIO-GD2 and did not provide adequate additional justification as to how this would stretch the organisation in RIIO-GD3. We do, however, consider it an acceptable target. Similarly, WWU proposes maintaining a Complaints Metric target score of 5, despite most GDNs performing significantly better than this in RIIO-GD2.
- 3.25 In relation to the Unplanned Interruptions ODI-F, while it was difficult to gauge whether WWU's proposed non-MOB target was stretching, WWU proposed the lowest minimum performance level across the GDNs, which could be seen as being stretching. However, its MOB minimum performance levels of 500 hours and excessive deterioration level of 750 hours are not stretching. We do not consider its justification sufficient, as WWU also says it will commit to an average of 31 hours to be achieved for 90% of customers, implying that it proposes to set a high MOB MPL and EDL to allow significant deterioration.

Questions

- WWUQ1. Do you agree with our view that WWU passed all of the minimum requirements and as such are considered to have passed Stage A of the BPI?
- WWUQ2. Do you agree with our assessment results for WWU against Stage B of the BPI?
- WWUQ3. Do you agree with our assessment results for WWU against Stage C of the BPI?

4. Managing uncertainty

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

EAP: Prepare the business for a net zero future

Consultation position and rationale

- 4.3 In its EAP, WWU proposed that it would use £8.09m of NZARD UIOLI funding to evolve its business, processes and systems for a net zero future, while reducing emissions and associated environmental impacts. This included activities to prepare parts of the network for repurposing, increase gas network customer understanding of the implications of the transition and the options that may be available to them, and to meet the needs of its stakeholders by digitalising its products and services.
- 4.4 We do not consider this project is suitable for NZARD funding due to it exceeding the UIOLI project maximum of £2m. Instead, we consider this investment, in its current form, could be submitted via the NZASP Re-opener. For further details on our proposed policy design for both the NZARD UIOLI and NZASP Re-opener, please see Chapter 7 of the Overview Document.
- 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.

WWUQ4. Do you agree that WWU's Prepare the business for a net zero future proposal, in its current form, should not be eligible for NZARD UIOLI funding?

EAP: Facilitate green gases

Consultation position and rationale

- 4.6 In its EAP, WWU proposed that it would use £14.5m of its NZARD UIOLI funding to progress activities to facilitate green gases. This includes actions under the ongoing Hydrogen Blending Implementation Plan project and developments to support capacity for green gas entry. Through this, WWU aims to reduce its environmental impact. Additionally, the proposal aims to improve processes and systems to enable WWU to connect increasing volumes of biomethane and
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hydrogen into its network and respond to developments in both policy and technology.

- 4.7 We do not consider this proposal suitable for NZARD funding due to it exceeding the NZARD UIOLI project maximum of £2m. We instead consider, in its current form, that it could be submitted via the NZASP Re-opener.

WWUQ5. Do you agree that WWU's Facilitate green gases proposal, in its current form, should not be eligible for NZARD UIOLI funding?

EAP: Move towards an ultra-low emission fleet

Consultation position and rationale

- 4.8 In its EAP, WWU proposed £6.8m of NZARD UIOLI funding to continue to progress projects such as its trial of hydrogen fuel cell vans and its participation in the Department for Transport's HyHaul project. It also proposed £3.9m of Network Innovation Allowance (NIA) funding to develop new and innovative approaches in this area.
- 4.9 We do not consider that NIA and NZARD funding should be used for this proposal. For our rationale on rejecting the NIA funding, please see paragraph 3.0.
- 4.10 We do not consider this proposal suitable for NZARD funding because:
- the benefits to natural gas consumers of this project were unclear in comparison to funding the rollout of other more cost-efficient and readily available Zero Emission Vehicles (ZEVs);
 - it was unclear that the trial would be successful or brought to fruition; and
 - the project costs exceed the NZARD UIOLI project maximum of £2m.
- 4.11 We do, however, continue to encourage the GDNs to continue replacing vehicles with Zero Emission Vehicles (ZEVs) to convert their fleet.

WWUQ6. Do you agree that WWU's Move towards an ultra-low emission fleet proposal should not be eligible for NZARD UIOLI funding?

EAP: Improve energy system planning

Consultation position and rationale

- 4.12 In its EAP, WWU proposed £8.5m of NZARD UIOLI funding and £5.35m of NIA funding to support energy system planning activities. This included resources for system planning and data analysis to support the National Energy System Operator (NESO) and local authorities, engagement with external stakeholders,
-

and where appropriate the delivery of projects identified as priorities in regional or local area energy plans.

- 4.13 We do not consider that NIA and NZARD funding should be used for this proposal. For our rationale on rejecting the NIA funding, please see paragraph 6.4.
- 4.14 We do not consider NZARD funding should be used for this proposal as it may be duplicative of the work we expect to be conducted by the NESO in its role developing the Regional Energy Strategic Plans (RESPs). We advise WWU to continue to work with NESO and ourselves to ensure that their RESP proposals do not duplicate, but instead support, the work of the RESPs. For further details on our positions regarding RESP activities, please refer to Chapter 3 of the GD Annex.
- 4.15 Additionally, we do not consider this proposal suitable for NZARD funding due to it exceeding the NZARD UIOLI project maximum of £2m.

WWUQ7. Do you agree that WWU's Improve energy system planning 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 WWU 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 comprises forecast controllable costs on a net basis⁵ 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. Table 10 sets out our proposed efficient allowances for WWU in RIIO-GD3.

Table 10: WWU 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 (%)
WWU	WWU	2,190.3	1,501.7	-688.6	-31%

Summary of assessment

5.3 Before modeling WWU'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 WWU's network.

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

Network Company	GDN	Submitted totex	Modelled Regression Costs	Modelled Non-regression Costs	Technically assessed costs
WWU	WWU	2,190	1,899	124	167

⁵ 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.

Network Company	GDN	Submitted totex	Modelled Regression Costs	Modelled Non-regression Costs	Technically assessed costs
% of total submitted totex		100%	87%	6%	8%

5.4 Table 12 below sets out the proposed modelled cost and efficient totex allowances for WWU 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)

GDN	Modelled cost - pre-modelling adjustments	Modelled costs - benchmarking efficiency	Technically assessed adjustments	Ongoing efficiency adjustments	Total adjustments
WWU	-69	-382	-109	-128	-689

Pre-modelling, normalisations and adjustments

5.5 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 assessment.

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

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

Network	Submitted	Regional and company specific factors	Cost and workload adjustments	Separately assessed adjustments	Costs after adjustments
WWU	2,190.3	-12.8	-110.4	-120.8	1,946.3

- 5.7 For a breakdown of regional and company specific factor adjustments, see Chapter 5 in the GD Annex.
- 5.8 For WWU, we propose to make £76.2m (net) of downward volume-related pre-modelling adjustments to costs based on the outcomes of our engineering assessment. We also propose to remove £34.2m based on the outcome of our assessment of IT & Telecoms.
- 5.9 We have made cost adjustments of £120.8m through our separately assessed non-regression approach, further information can be found in the non-regression section within this chapter.
- 5.10 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 Chapter 5 of the GD Annex for further details. We are proposing to maintain the historical loss of meterwork adjustment for WWU for RIIO-GD1, but not extend it into RIIO-GD2.

Regression

Pre-modelling engineering and technical review adjustments

Capex proposals

- 5.11 We have proposed to apply a £13.0m cost reduction to WWU's proposed plans on District, I&C Governors and Service Governors due to low scope confidence, allowing only those costs associated with reactive workload.
- 5.12 We have proposed to remove workloads associated with LTS Pipelines - General Pipelines and reduced costs by £11.5m based on historical run rates. We made the adjustment following an engineering review, which found the submitted increase in intervention workloads was not justified.
- 5.13 In line with our engineering technical review recommendation, we have proposed to remove those costs associated with WWU's Distribution steel pipelines and LTS Offtakes, PRIs and, Storage proposed plans, reducing costs by £42.4m.

- 5.14 More information on our proposals can be found in the engineering assessment of WWU business plan section.

Repex proposals

- 5.15 We propose to not include any forecasts for iron stubs costs at Draft Determinations, see Chapter 5 of the GD Annex for further information.
- 5.16 As discussed in Chapter 3 of the GD Annex, we applied a CBA-payback cut-off to non-mandatory repex work. This has resulted in removing £8.38m of costs for Tier 2b and Tier 3 mains for WWU.

IT&T proposals

- 5.17 We assessed WWU's IT & 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.
- 5.18 WWU submitted £55.6m of costs for IT & Telecoms projects, in 43 separate investment proposals. Our consultants reviewed 80% of the overall funding request from WWU. The expert review of each proposed investment recommended that 35% 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 £34.2m.

Cost drivers

- 5.19 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 WWU's Business Plan. Details on adjustments made are provided for each major cost category: opex, repex and capex.
- 5.20 Table 14 below details the proposed adjustments to the cost drivers for WWU in RIIO-GD3.

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

CSV driver	Unit	Submitted	Modelled	Difference	Difference (%)
Repex	£m	610	602	-8	-1.4%
Reinforcement	£m	26	26	0.0	0.0%
Connections	£m	23	23	0.0	0.0%

CSV driver	Unit	Submitted	Modelled	Difference	Difference (%)
Emergency CSV ⁶	Number	4,320,201	4,320,201	0.0	0.0%
External condition reports	Number	55,425	55,425	0.0	0.0%
Maintenance MEAV	£m	16,948	16,948	0.0	0.0%
MEAV	£m	57,153	57,153	0.0	0.0%
Total ⁷	Number	7,175	7,136	-39	-0.5%

- 5.21 We have not proposed any adjustments to WWU's submitted MEAV, customer numbers and external condition reports.
- 5.22 We have not proposed any adjustments to WWU's capex synthetic drivers reinforcement and connections.
- 5.23 We have proposed downward adjustments to WWU's repex synthetic driver, reflecting the outcome of our engineering assessment. We have removed workloads for Tier 2B and Tier 3.

Non-regression

- 5.24 This section presents an overview of our proposed non-regression assessment for WWU, 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.
- 5.25 Table 15 below sets out the proposed non-regression cost adjustments for WWU in RIIO-GD3. Where we present modelled costs in the tables below, these are 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.

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

⁷ The total is derived by multiplying the weighted drivers together.

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

Separately assessed activity	Submitted	Modelled	Difference	Difference (%)
Multiple Occupancy Buildings (MOBs)	38.36	32.22	-6.14	-16%
Diversions	23.37	21.11	-2.26	-10%
Streetworks	55.40	39.63	-15.77	-28%
Smart metering	0	0	0	0%
Land remediation	6.87	6.87	0	0%
SIU	0	0	0	0%
Growth Governors	0	0	0	0%
WWU Total	124.00	99.84	-24.16	-19%

Technically Assessed Costs

5.26 This section contains an overview of our approach to technical assessment for WWU, including our proposed adjustments to submitted. For each category, we present a summary of submitted and our proposed costs (excluding ongoing efficiency).

5.27 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)

	Submitted allowance	Proposed allowance (excluding ongoing efficiency)	Difference (%)
Technically assessed capex and repex projects	0.0	0.0	n/a
ALD	7.07	7.07	0%
DPLA	16.10	0.00	100%
Cyber	[REDACTED]	[REDACTED]	[REDACTED]

	Submitted allowance	Proposed allowance (excluding ongoing efficiency)	Difference (%)
PSUP	[REDACTED]	[REDACTED]	[REDACTED]
Iron Stubs	34.18	0.00	100%

Technically assessed and bespoke project proposals

5.28 There were no capex or repex projects which we propose to assess through technical assessment for WWU.

PSUP proposals

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

Cyber proposals

5.30 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

5.31 We propose to accept WWU's costs of £7.1m 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 £16.1m from baseline totex. See Chapter 3 of the GD Annex for further details.

Proposed cost exclusions from totex

5.32 In this section we provide further details of the cost activities that WWU 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.

5.33 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.

5.34 In its plan, WWU made the following proposals for cost exclusion:

- Information & technology and telecoms
-

- Disconnections
- Mains in private property
- Non-PSUP physical security
- ZEV Infrastructure
- Built over mains
- Land and buildings

5.35 Net Zero And Re-opener Development Fund (NZARD) - 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 WWU business plan

EJP Review Overview

5.36 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

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

5.38 For WWU EJP recommendations please see Appendix 1.

EJP Quality and Data Provision

5.39 Overall, our technical analysis found that WWU EJP submissions had well justified needs cases.

5.40 WWU LTS major projects and non-mandatory mains replacement programme have been well justified and are required due to safety and security of supply concerns.

5.41 Volume reductions have been recommended when there has been a lack of data to support proposed volumes, where the requested volumes do not align with provided data or there is an increase in volumes from RIIO-2 without substantive justification or correlation between surveys explained.

Consultation Response Expectations

5.42 To ensure that we extract the maximum consumer value we have detailed our expectations for WWU's consultation response in Appendix 1.

Assessment

- 5.43 Ofgem reviewed ten WWU Engineering Justification Papers totalling approximately £1.0bn, planned for the RIIO-3 price control period. Following our technical review, we considered four EJPs to be well-justified and recommended for approval without any adjustment to volumes.
- 5.44 A further four EJPs are partially justified with adjustments made to either costs, volumes or both, where either the needs case, proposed optioneering and/or scope were insufficient to justify the full request. It was unclear why intervention volumes had increased significantly from RIIO-2. Additionally, the correlation between interventions and inspections was not well established, creating uncertainty in scope confidence.
- 5.45 Two EJPs are unjustified and not included in our Draft Determinations. These include distribution steel pipelines and LTS AGI (E&I): Offtakes, PRIs, storage. We determined that there was too much uncertainty regarding intervention volumes to include these at this stage. More robust data is required to support our analysis. This includes clarifying the correlation between proposed volumes, inspection results and the type of intervention planned against specific assets. We expect this information to be submitted by the end of the consultation period.

Questions

WWUQ8. Do you agree with our engineering assessment of WWU's RIIO-3 Business Plan?
--

6. Innovation

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 WWU's RIIO-3 NIA funding.

Consultation position and rationale

Summary of consultation position

Level of Network Innovation Allowance (NIA) funding: In its business plan, WWU requested £37.9m in NIA funding. Following our assessment, we are minded to award £11.8m.

6.3 Innovation Strategy: Overall, WWU's Innovation Strategy was well set out, with a clear articulation of the problems it was trying to solve, and the solutions it had identified for these problems. Its key areas of focus were around planning and delivering net zero operations, facilitating green gases, and supporting consumers in vulnerable situations.

6.4 NIA Workstreams: Following our assessment of WWU's proposed workstreams, we are minded to reduce its NIA award by £24.95m, due to the following reasons:

- Future of gas / hydrogen: 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. This led to a reduction of £6.05m from its "Planning and delivering net zero operations" area of focus (from the workstreams "Review of tools and equipment used by engineers", "Developing an ultra-low emission fleet", "Updating hazardous areas within operational site boundaries for hydrogen blending" and "Reducing embodied carbon"), and a reduction of £12.6m from its "Facilitating Green Gases" area of focus (from the workstreams "Hydrogen Technical Evidence", "Assessment on the practical delivery of repurposing parts of our network to 100% hydrogen", "Industrial and commercial transition to hydrogen", "Blending implementation", "Demonstrating industrial and commercial transition" and "Demonstrating a domestic transition").
- Improving Energy System Planning: Based on the information provided, we have not seen evidence that innovation stimulus funding is needed for this work, given that it is duplicative of the work NESO will be developing as part of the RESPs. This led to a reduction of £5.35m to its award.
- Regulatory and financial frameworks, structures and analysis techniques: Given that work is being led by us and DESNZ to develop a valuation methodology, further innovation stimulus funding is not required in this area.

6.5 Business Plan Assessment: After assessing WWU's Business Plan against the criteria set out in the Business Plan Guidance (paragraph 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 WWU's score, we decided to reduce its NIA award by a further 9%. From the criteria, we would have expected additional detail to be given in the following areas:

- How activities will be delivered: We would have expected WWU to give further detail on how it delivers its innovation activities, such as the process for how an innovation goes from inception to deployment to BAU.
- Network collaboration to identify and deliver NIA projects: We expected more detail to be given on how WWU will collaborate with other networks to identify and deliver projects, including the processes it has in place to do this and how they work in practice.
- Ensuring projects aren't duplicative: While WWU gives some information on how it ensures projects aren't duplicative, we would have expected further detail to be shared here as to the processes they have in place and how they work in practice.
- An explanation of why the innovation in question cannot be funded from the totex allowance: While WWU explains at a portfolio level why NIA is needed and NIA related projects cannot be funded by totex funding, it does not explain this at an innovation level as requested in the Business Plan Guidance.

Questions

WWUQ9. Do you agree with the level of proposed NIA funding for WWU?

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 WWU's RIIO-3 data and digitalisation funding.

Consultation position and rationale

- 7.3 WWU's digitalisation investments were focused primarily on developing its internal digital infrastructure, through the development of a data lakehouse (to be driven by stakeholder and data user needs) and increasing internal digital expertise and capability. This also included investment to better enable regulatory reporting to Ofgem.
- 7.4 WWU noted the need for compliance with Data Best Practice principles in its business plan, and some of its investments related to maintaining or increasing compliance further.
- 7.5 We required all licensees to signpost investments that would allow them to connect and utilise the DSI effectively. During the assessment period for business plans, we have published our decision on DSI governance.⁸ WWU noted the creation of an interface between its own internal data infrastructure and the DSI as a key initiative for RIIO-GD3.
- 7.6 Some of the justification for investments that might have been expected was not always present, and some projects were insufficiently ambitious in WWU's timelines.
- 7.7 We identified one investment which was miscategorised, totalling £0.8m or 3.8% of the original submission. This was "SCADA"⁹ - there was not sufficient justification that the project was digitally transformative.

⁸ <https://www.ofgem.gov.uk/decision/governance-data-sharing-infrastructure>

⁹ 59.26 - GD3 Project Mandate - Asset - Geo Scada

7.8 We are minded to reject one investment totalling £1m, or 5% of proposed data and digitalisation investment. This is 'Digital Twin/Spine'¹⁰ where we had concerns over the timeline of spend and the project's justification.

Summary of consultation position

Level of data and digitalisation funding: In its Business Plan, WWU requested £21.1m in funding. We identified one investment totalling £0.8m which was miscategorised, leaving £20.3m of data and digitalisation investment proposals. Following our assessment, we are minded to award £19.3m, making up 95% of their proposed funding.

Questions

WWUQ10. Do you agree with our proposed level of funding for WWU data and digitalisation investments?
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¹⁰ 59.23 - GD3 Project Mandate - Asset - Digital Twin

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

Table : 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.
- 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.

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

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

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

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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 17: Summary of WWU Approved EJPs

OSR	Title
WWU.7	Pipeline replacement - HS007
WWU.9	Pipeline replacement - HW009/HW010
WWU.18	Mandatory mains replacement programme (incl. STUBS)
WWU.20	Non-mandatory mains replacement programme (Iron/Steel) - incl. Build overs

Table 18: Summary of WWU EJP Recommendations

EJP Title	Needs Case	Optioneering	Scope Confidence	Comments
Distribution Steel Pipelines WWU.3	Partially Justified	Partially Justified	Low Confidence	Proposed Outcome: Unjustified Volumes and unit costs are not sufficiently justified for inclusion in our draft determinations. We would require evidence to support the increase in volumes from RIIO-2 and a breakdown for major and minor interventions should be detailed. The

Consultation - RIIO-3 Draft Determinations - Wales & West Utilities (WWU)

EJP Title	Needs Case	Optioneering	Scope Confidence	Comments
				correlation between surveys and volumes should be detailed. No volumes for alternative options were provided to support a reduced allowance.
Governors WWU.25	Justified	Partially Justified	Low Confidence	<p>Proposed Outcome: Partially Justified. We have proposed alternative optioneering for refurbishment only.</p> <p>The refurbishment only option yields a better net present value (NPV) and is a technically viable option that addresses asset health, maintains compliance and extends the life of the asset beyond 10 years. Although replacement may be necessary in some instances, it is not clear from the asset health data currently provided which assets this would apply to. Potential replacements should be clearly identified by supporting asset health data to support any alternative engineering optioneering.</p>
LTS AGI(E&I): Offtakes, PRIs, Storage WWU.11	Partially Justified	Partially Justified	Medium Confidence	<p>Proposed Outcome: Unjustified</p> <p>Proposed volumes are not sufficiently justified to support inclusion in our draft determinations. A direct correlation between site surveys and</p>

Consultation - RIIO-3 Draft Determinations - Wales & West Utilities (WWU)

EJP Title	Needs Case	Optioneering	Scope Confidence	Comments
				intervention volumes should be established alongside a plan for managing the workforce for the proposed increased volumes. Asset health data is required to verify need for intervention.
LTS AGI(Mech): Offtakes, PRIs, Storage WWU.13	Justified	Justified	Medium Confidence	<p>Proposed Outcome: Partially Justified. We have proposed reduced workload volumes.</p> <p>Overall, the paper has been well written. Requested asset data and costs were provided. Clear to understand investment volumes and figures. Data provided doesn't correspond to volumes given in Table 2 of SQ response for all assets. A volume adjustment has been made to correspond with supporting data. Additional data should be provided which includes all requested intervention volumes.</p>
LTS Pipelines- General Pipelines WWU.5	Partially Justified	Partially Justified	Medium Confidence	<p>Proposed Outcome: Partially Justified. We have proposed reduced workload volumes.</p> <p>Generally, the need for ongoing maintenance of LTS pipeline systems and ancillary equipment is accepted and the submission outlines the requirements clearly.</p>

Consultation - RIIO-3 Draft Determinations - Wales & West Utilities (WWU)

EJP Title	Needs Case	Optioneering	Scope Confidence	Comments
				<p>There has been significant volume increases for some asset classes in RIIO-3 without justification or supporting evidence. The volumes increase for inspection volumes, marker posts, nitrogen sleeves and riverbed refurbishments have not been adequately justified, we have reflected this in volume reductions in our Draft Determinations to align with RIIO-2 volumes.</p>
Risers & MOBs WWU.29	Justified	Justified	Medium Confidence	<p>Proposed Outcome: Partially Justified. We have proposed reduced volumes.</p> <p>Clearer inspection data is required for Complex Distribution Systems (CDS) sites to understand scope of works, specific site details, site asset health scores, risk scores, action threshold, site prioritisation, cost breakdown and planned intervention to justify inclusion in our draft determinations. CDS volumes have been reduced until this data is provided.</p> <p>Asset health data for 91 high rise buildings (HRBs) (10+ floors) has not been provided for all materials so the volumes for HRBs has been reduced. Data is</p>

Consultation - RIIO-3 Draft Determinations - Wales & West Utilities (WWU)

EJP Title	Needs Case	Optioneering	Scope Confidence	Comments
				missing for 74 medium rise building (MRB) (6-9 floors) steel risers. These volumes have been reduced in our Draft Determinations. Complete asset health data would be required for highlighted volumes for full justification.

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.

2. Why we are collecting your personal data

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

3. Our legal basis for processing your personal data

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

4. With whom we will be sharing your personal data

We will not 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 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](#)".