

# Consultation

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## RIIO-3 Draft Determinations Consultation Questions

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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. Overview Questions

### Introduction

- OVQ1. We would welcome any views on the enduring role of the ISGs during RIIO-3 and for future price controls.

### Outputs and incentives

#### Cross-sectoral outputs

- OVQ2. Do you agree with our proposed position on the Environmental Action Plan and Annual Environmental Report ODI-R for RIIO-3?
- OVQ3. Do you agree with our consultation position to create a new common mechanistic PCD for ZEV and associated infrastructure costs?
- OVQ4. Do you agree with our proposed approach to measuring Baseline Network Risk Outputs and our application of the NARM mechanism?
- OVQ5. Do you agree with our proposed approaches to calculating the funding adjustments and to the application of penalties?
- OVQ6. Do you agree with our proposed approaches to improving the NARM framework?
- OVQ7. Do you agree with our proposal for the physical security PCD?

#### Other policy areas

- OVQ8. Do you agree with our approach taken to review of the Climate Resilience strategies?
- OVQ9. Do you agree with our views on the Workforce Resilience Strategies?
- OVQ10. Do you agree with our views on the Supply Chain Resilience Strategies?

#### Business Plan Incentive

- OVQ11. Do you agree with the equal weightings applied per criteria/rating for the 'Clarity scorecard' and the 'Business Plan Commitments scorecard' for the Stage C assessment?
- OVQ12. Do you agree with the weightings applied per outcome for each sector for use in the Stage C - Business Plan commitments assessment?

### Managing uncertainty

- OVQ13. Do you agree with the use of a default materiality threshold and its level?

#### Cross-sectoral uncertainty mechanisms

- OVQ14. Do you agree with our proposed amendments to the CAM for RIIO-3?
- OVQ15. Do you agree with our proposed design of the NZARD UIOLI?
- OVQ16. Do you agree with our proposed design of the NZASP re-opener?
- OVQ17. Do you agree with our design proposal for the resilience re-opener?
- OVQ18. Do you agree with our proposed approach to RPEs?

### **Cost of service**

OVQ19. Do you agree with our proposed approach to ongoing efficiency?

### **Innovation**

OVQ20. Do you agree with our proposed NIA funding levels?

OVQ21. Do you agree with our approach to the future of gas-related workstreams?

OVQ22. Do you agree that £2.5m of additional NIA should be used to provide enhanced advisory services for innovators at the early stages of innovation development?

OVQ23. Do you agree with our approach to improving oversight and reporting of the NIA?

OVQ24. Do you agree with our proposals to allocate £500m for SIF funding?

OVQ25. Do you agree with our proposals to introduce a 'Programmatic Approach' to the SIF?

OVQ26. Do you agree with our proposal to introduce a £50m deployment fund, utilising £50m from the total £500m SIF allocation?

OVQ27. Do you agree that the deployment fund should also be open to innovation projects that haven't been funded through NIA, NIC or SIF?

OVQ28. Do you agree with our proposal to reverse the SSMD position of removing the Discovery phase from SIF?

OVQ29. Do you agree with our proposals to retain the core aspects of the SIF for RIIIO-3?

OVQ30. Do you agree with our proposals for a more flexible approach to contribution rates to fund SIF projects?

OVQ31. Do you agree with updating the SIF eligibility criteria and assessment process?

OVQ32. Do you agree with our proposal to establish a direct pathway for transformative projects to seek Ofgem's support for funding?

OVQ33. Do you agree on the need to clarify roles and responsibilities within the innovation ecosystem, and the factors that we should consider?

OVQ34. Do you agree with our approach to improving reporting of deployed SIF projects and lessons learned post-funding?

### **Cyber Resilience**

OVQ35. Do you agree with our proposals for the Cyber Resilience re-opener?

### **Data and Digitalisation**

OVQ36. Do you agree with our position of not changing the Digitalisation licence condition?

OVQ37. Do you agree with our proposed approach to the DSI licence condition?



OVQ38. Do you agree with our proposed design of the Digitalisation re-opener?

## 2. ET Annex Questions

### Outputs and incentives

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

- ETQ1. Do you have any views on our proposed approach to which projects will be in scope of the CSNP-F ODI-F, especially projects submitted through the Load Re-opener?
- ETQ2. Do you agree with our proposed approaches to determining a TDD for CSNP-F Outputs and non-CSNP-F Outputs?
- ETQ3. Do you agree with our proposed inclusion of a minimum availability standard in the CSNP-F ODI-F?
- ETQ4. Do you agree with our proposed approach to Delay Events in the CSNP-F ODI-F?
- ETQ5. Do you agree with our proposed shape and size of the CSNP-F ODI-F incentive?
- ETQ6. Which of the two proposals for the Connections Capacity ODI-F target setting methodology do you think is most appropriate and why?
- ETQ7. Do you have any further considerations on our chosen direction for a RIIO-ET3 Connections Capacity ODI-F, including detail on how the targets could be built up?
- ETQ8. Do you agree with our proposed design of the Community Benefit Funding pass-through mechanism?
- ETQ9. What are your views on our consultation positions for the TOs' EAP commitments in RIIO-ET3?
- ETQ10. Do you have any views on whether the Innovative Delivery Incentive and/or SO:TO ODI-F should be used to incentivise TO action regarding transmission losses?
- ETQ11. Do you have any views on our proposed approach to biodiversity funding, notably whether it is appropriate or not for consumers to fund biodiversity outputs beyond legislative requirements?
- ETQ12. What are your views on our consultation position for the IIG ODI-F target methodology in RIIO-ET3, in particular the bespoke treatment of SHET?
- ETQ13. Do you consider that we should use the IIG Exceptional Event mechanism to manage potential issues with historical IIG inventory data? If so, why?
- ETQ14. What are your views on our consultation position for the SF6 Asset Intervention PCD in RIIO-ET3?

**Secure and resilient supplies**

- ETQ15. What are your views on our proposals for the RIIO-ET3 ENS ODI-F, including the two different target setting methodologies we have shared?
- ETQ16. What are your views on our consultation position for the SO:TO incentive approach to BAU enhanced services in ET3?
- ETQ17. Do you agree with our proposal to introduce a clawback mechanism in the SO:TO ODI-F for enhanced services requested that are unfulfilled?
- ETQ18. Which of the three options for managing differing approaches between TOs do you think would work most effectively in the SO:TO ODI-F?
- ETQ19. Do you agree with the need to introduce an Innovative Delivery Incentive to drive the five behaviours that we've identified and do you consider that there are any behaviours that are missing?
- ETQ20. What are your views on our proposed design of the Innovative Delivery Incentive?
- ETQ21. What are your views on how TOs could demonstrate 'consumer value' to justify rewards under the Innovative Delivery Incentive?
- ETQ22. Do you agree with our proposal to introduce the CSNP Co-ordination LO?
- ETQ23. What are your views on our consultation position for the LEI UIOLI in RIIO-ET3?
- ETQ24. What are your views on the proposed New Infrastructure Stakeholder Engagement Survey ODI-R, including areas of engagement measured, the proposed survey design, the stakeholders targeted, and the proposed reporting format?

**Managing uncertainty**

**Infrastructure fit for a low-cost transition to net zero**

- ETQ25. Do you agree with our proposal to retain the APM for RIIO-ET3 in its current form?
- ETQ26. Do you agree with our intended approach to PCF in RIIO-ET3?
- ETQ27. Do you agree with our updated definition of EEW?
- ETQ28. Do you agree with our proposed approach to PCF on tCSNP2 projects?
- ETQ29. Do you agree with our proposed scope, re-opener windows and materiality threshold for the Load Re-opener?
- ETQ30. Is it clear how the different Load Re-opener tracks operate, and do you agree with the rationale for introducing them?
- ETQ31. Do you agree with the scope and materiality threshold for the Load UIOLI?
- ETQ32. Do you agree with our proposed design of the generation and demand connections volume driver mechanisms?

- ETQ33. Do you agree with our proposal to apply the 'stepped TIM' to volume drivers as part of general totex?
- ETQ34. Do you agree with our proposed methodology for excluding atypical connection projects from the regression model?
- ETQ35. Do you agree with our proposal to use the Load Re-opener (above £25m) and Load UIOLI (below £25m) to fund projects that fall outside  $\pm 1.5$  standard deviations from the regression model?
- ETQ36. Do you agree with our treatment of RIIO-ET3 Volume Driver crossover projects and our approach to allowance profiling?
- ETQ37. Do you agree with the proposed scope of the CSNP-F Re-opener?
- ETQ38. Do you have any views on our proposed design of the CSNP-F Re-opener?
- ETQ39. Do you agree with our proposed approach to T2/T3 crossover projects?
- ETQ40. Do you have any views with our proposed approach to ITA project eligibility?
- ETQ41. Do you have any views on the appropriate information sharing boundaries between the TO and an ITA, and how any conflicts could be managed?
- ETQ42. Do you agree with our proposed Carbon Compensation UIOLI to fund carbon offsetting in RIIO-ET3?
- ETQ43. Do you have any views on our proposal to reject these two environmental UMs?

### **Secure and resilient supplies**

- ETQ44. Do you agree with our proposal to introduce a Non-Load Reopener to address funding gaps in shared-driver projects where the load-related need no longer exists, but an asset health requirement remains?
- ETQ45. Do you agree with our proposed design of the Non-Load Re-opener?

### **Cost of service**

- ETQ46. Do you agree with our proposed approach to load and non-load capex assessment, ie the combination of unit cost benchmarking and engineering review? How can the use of expert assessment be further improved?
- ETQ47. Do you agree with our approach for unit cost benchmarks? Do you have any views on how the unit cost benchmarking methodology can be improved?
- ETQ48. Do you agree with our proposal to roll-up unit cost benchmarks and set the benchmarks at the scheme level?
- ETQ49. Do you agree with our continued use of the PAM? How can this be further improved?
- ETQ50. Do you agree with our proposed approach for setting the R&C allowance? If not, why? Please outline any challenges that you think might be present with our proposals on the R&C allowance and the interplay with the TIM.

- ETQ51. Do you agree with our assessment approach for Vehicles and Transport and Non-operational Property? If not, how do you consider we should assess these costs?
- ETQ52. Do you agree with our assessment approach for IT&T? Do you think we should make any amendments to the assessment framework or the thresholds employed? Should any cost categories be included or excluded from the assessment?
- ETQ53. Do you agree with our quantitative assessment approach, ie unit cost and annual average costs using RIIO-ET2 and RIIO-ET3 data? If not, how should we carry out the quantitative assessment?
- ETQ54. Are there any NOCs categories or sub-categories that we should have excluded or included from quantitative assessment? If excluded, how should we assess them?
- ETQ55. Do you consider that the 25% and £1m thresholds are appropriate for the quantitative assessment of NOCs? If not, what should the thresholds be and why?
- ETQ56. Do you support our qualitative assessment framework for NOCs other (Vegetation Management, Ongoing environmental costs, Small Tools Equipment Plants & Machinery (STEPM) and company bespoke NOCs other costs) and Flood Mitigation? If not, how should we assess these costs? Are there any additional costs that we should include in this framework?
- ETQ57. What are your views on the proposed blended approach to CAI? Do you agree with the weights applied?
- ETQ58. Do you agree with the CAI UIOLI allowance to support TOs growth ahead of CP2030? What are your views on the scope and chosen level of CAI UIOLI funding?
- ETQ59. Do you agree with our proposal to remove the opex escalator for RIIO-ET3?
- ETQ60. Do you agree with our approach to BSC? How do you think this could be improved?
- ETQ61. Do you agree with our proposal to introduce a BSC Re-opener? What are your views on the proposed design? What alternatives to a BSC Re-opener do you see as viable?
- ETQ62. Do you agree with our approach to MEAV? What do you think we could do to improve its robustness?
- ETQ63. Do you agree with our approach to operational training? What else should be considered within this approach?
- ETQ64. Do you agree with our approach on insurance? What methodological improvements can we make?

- ETQ65. Do you agree with our approach to pension scheme admin and PPF levy? What else should be considered within this approach?
- ETQ66. Do you agree with our assessment approach for Physical Security? If not, how should we assess these costs?
- ETQ67. Do you have any views on our engineering assessment of the thematic issues we have identified?
- ETQ68. Do you agree with our approach to maintaining future optionality through ensuring licensees use extendible designs?
- ETQ69. Do you agree with our drive to reduce the use of F-Gases as far as possible and do you agree with our intent to fast track selected AIS solutions to minimise the use of F-Gases now and in the future?
- ETQ70. Do you agree that the TIM in RIIO-ET3 should have a primary focus on risk management and a secondary focus on cost efficiency, and that doing so would be in the interests of consumers?
- ETQ71. Do you agree with our proposed 'stepped' design of the RIIO-ET3 TIM, including the values that we have used to set each 'step'?
- ETQ72. Do you agree with our proposal to include ASTI within this TIM approach?

### **3. NGET Questions**

#### **Outputs and incentives**

##### **Outputs we propose to accept**

NGETQ1. Do you agree with our proposal to introduce these six PCDs for NGET?

##### **Business Plan Incentive (BPI)**

NGETQ2. Do you agree with our view that NGET passed all of the minimum requirements and has passed Stage A of the BPI?

NGETQ3. Do you agree with our assessment results for NGET against Stage B of the BPI?

NGETQ4. Do you agree with our assessment results for NGET against Stage C of the BPI?

#### **Managing uncertainty**

##### **UMs we propose to accept**

NGETQ5. Do you agree with our proposal to introduce and proposed design of a NESO Separation re-opener?

NGETQ6. Do you agree with our proposal to introduce and proposed design of the Property re-opener mechanism?

NGETQ7. Do you agree with our proposed unit rates?

##### **Cost of service**

NGETQ8. Do you agree with our position on not providing funding for the non-load replacement of healthy assets?

NGETQ9. Do you agree with our requirement for clarity and consistency in optioneering assessments and underlying assumptions when considering asset health and GIS use for Site Strategies?

NGETQ10. What are your views on our engineering assessment of NGET's Business Plan?

##### **Innovation**

NGETQ11. Do you agree with the level of proposed NIA funding for NGET?

##### **Data and Digitalisation**

NGETQ12. Do you agree with our proposed level of funding for NGET's data and digitalisation investments?

## 4. SHET Questions

### Outputs and incentives

#### Outputs we propose to accept

SHETQ1. Do you agree with our proposal to introduce these four PCDs for SHET?

#### Outputs we propose to reject

SHETQ2. Do you agree with our proposal to reject SHET's marine biodiversity EAP commitments?

SHETQ3. Do you agree with our proposal to reject SHET's Species and Habitat UIOLI?

### Business Plan Incentive (BPI)

SHETQ4. Do you agree with our view that SHET passed all of the minimum requirements and as such are considered to have passed Stage A of the BPI?

SHETQ5. Do you agree with our assessment results for SHET against Stage B of the BPI?

SHETQ6. Do you agree with our assessment results for SHET against Stage C of the BPI?

### Managing uncertainty

#### UMs we propose to accept

SHETQ7. Do you agree with our proposal to introduce, and our proposed parameters for, a Property Costs Re-opener for SHET?

SHETQ8. Do you agree with our proposed parameters for the Subsea Cable Repairs Re-opener for SHET?

SHETQ9. Do you agree with our proposed unit rates?

#### UMs we propose to reject

SHETQ10. Do you agree with our proposal to reject SHET's Biodiversity Net Gain (BNG) Re-opener?

### Cost of service

SHETQ11. What are your views on our engineering assessment of SPT's RIIO-ET3 Business Plan?

### Innovation

SHETQ12. Do you agree with the level of proposed NIA funding for SHET?

### Data and Digitalisation

SHETQ13. Do you agree with our proposed level of funding for SHET's data and digitalisation investments?



## 5. SPT Questions

### Outputs and incentives

#### Outputs we propose to accept

- SPTQ1. Do you agree with our proposal to retain the Net Zero Fund UIOLI for SPT, and with our proposed parameters for it?
- SPTQ2. Do you agree with our proposal to introduce this PCD for SPT?

#### Business Plan Incentive (BPI)

- SPTQ3. Do you agree with our view that SPT passed all of the minimum requirements and as such are considered to have passed Stage A of the BPI?
- SPTQ4. Do you agree with our assessment results for SPT against Stage B of the BPI?
- SPTQ5. Do you agree with our assessment results for SPT against Stage C of the BPI?

#### Managing uncertainty

- SPTQ6. Do you agree with our proposed unit rates?

#### UMs we propose to reject

- SPTQ7. Do you agree with our proposal to reject SPT's Environmental Re-opener?

#### Cost of service

- SPTQ8. What are your views on our engineering assessment of SPT's RIIO-ET3 Business Plan?

#### Innovation

- SPTQ9. Do you agree with the level of proposed NIA funding for SPT?

#### Data and Digitalisation

- SPTQ10. Do you agree with our proposed level of funding for SPT's data and digitalisation investments?

## 6. GD Annex Questions

### Outputs and incentives

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

- GDQ1. Do you have any views on our proposed approach for the GD-specific environmental commitments, costs and targets?
- GDQ2. Do you have any views on our proposed funding for the DPLA and ALD?
- GDQ3. Do you agree with our proposed design of the 7 and 28 Day Repair Standards ODI-F, including the proposed performance targets and incentive rate?
- GDQ4. Do you agree with our proposal to enable the GDNs to submit RESP coordination and engagement activities through NZARD and NZASP?

#### Secure and resilient supplies

- GDQ5. Do you have any feedback on our approach to assessing non-mandatory repex workloads?
- GDQ6. Do you have any comments on the proposed design of the Tier 1 Mains Decommissioned PCD, including the position to retain the 3% cap on the upwards Allowance Adjustment Mechanism?
- GDQ7. Do you have any comments on the proposed design of the Tier 1 Services PCD, including the position to retain the 10% cap on the upwards Allowance Adjustment Mechanism?
- GDQ8. Do you agree with the proposed design of the Tier 1 Iron Stubs PCD?
- GDQ9. Do you agree with our proposal to update the Emergency Response Time LO to prevent the downward reclassification of gas escapes?
- GDQ10. Do you agree with our proposed design of the ERTLO ODI-R?

#### High quality of service from regulated firms

- GDQ11. Do you agree with our proposed design of the VCMA UIOLI mechanism?
- GDQ12. Do you agree with our proposed design of the Customer Satisfaction ODI-F?
- GDQ13. Do you agree with our proposed design of the Disconnections Customer Satisfaction ODI-R?
- GDQ14. Do you agree with our proposed design of the PSR Customer Satisfaction ODI-R?
- GDQ15. Do you agree with our proposed design of the Complaints Metric ODI-F?
- GDQ16. Do you agree with our proposed design of the PSR Customer Complaints ODI-R?
- GDQ17. Do you have any views on the proposed approach to setting unplanned interruption targets for both non-MOBs and MOBs through the Unplanned Interruptions ODI-F?

- GDQ18. Do you have any views on the proposed expansion of the Collaborative Streetworks ODI-F across GB?
- GDQ19. Do you have any views on the proposed minimum threshold, the methodology used to set it, and the incentive reward rate for the Collaborative Streetworks ODI-F?

### **Managing uncertainty**

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

- GDQ20. Do you agree with the introduction of the proposed Biomethane Connections UIOLI, including with the proposed scope and funding caps?
- GDQ21. Do you have any views on our proposed design of the Heat Policy Re-opener?

#### **Secure and resilient supplies**

- GDQ22. Do you agree with our proposed scope of the HSE Policy Re-opener?
- GDQ23. Do you agree with our proposed design of the Tier 2A Volume Driver?
- GDQ24. Do you agree with the scope of our Diversions Re-opener?

#### **High quality of service from regulated firms**

- GDQ25. Do you agree with our proposed design and unit rates for the Safety Disconnections Volume Driver?
- GDQ26. Do you agree with the proposed design of the New Large Load Connections Re-opener, including our proposal to include general reinforcement projects in its scope?
- GDQ27. Do you agree with our proposal to retain the RIIO-GD2 scope of the Specified Streetworks Costs Re-opener?

#### **GD specific pass-through costs**

- GDQ28. Do you agree with our proposal to reject Cadent's proposed pass-through to facilitate biomethane connections?
- GDQ29. Do you agree with our proposal to reject SGN's proposed pass-through for Joint Office of Gas Transporters services?
- GDQ30. Do you agree with our proposal to reject WWU's proposed pass-through for plant protection services?

#### **UMs we propose to reject**

- GDQ31. Do you agree with our proposal to not introduce a CDS Re-opener and instead fund any resubmitted workloads through NARM, if approved?

#### **Cost of service**

- GDQ32. Do you agree with our proposed use of a 'top-down' regression model?

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

- GDQ33. Do you agree with our assessment approach for IT&T?

- GDQ34. Do you think we should make any amendments to the assessment framework or the thresholds employed?
- GDQ35. Should any cost categories be included or excluded from the assessment?
- GDQ36. Do you agree with our proposed approach to pre-modelling normalisations and adjustments?

**Totex Benchmarking**

- GDQ37. Do you agree with our proposed approach to totex benchmarking?
- GDQ38. Do you agree with the proposed level of aggregation, estimation technique and time period for our econometric modelling?
- GDQ39. Do you agree with our proposed cost drivers and approach to weighting drivers in the totex CSV?
- GDQ40. What are your views on our proposed workload adjustments to cost drivers?

**Non-regression analysis**

- GDQ41. Do you agree with our approach to non-regression benchmarking analysis?

**Catch-up efficiency challenge**

- GDQ42. What are your views on our proposed approach to applying the catch-up efficiency challenge?
- GDQ43. Do you consider that the efficiency frontier should be set based on historical performance?

**Technically assessed costs**

- GDQ44. Do you agree with our assessment of technically assessed costs and bespoke outputs?

**Disaggregation of allowances**

- GDQ45. What are your thoughts on our approach to disaggregating cost allowances?

**Totex Incentive Mechanism (TIM)**

- GDQ46. Do you agree with our proposed TIM sharing factor?

## 7. Cadent Questions

### Outputs and incentives

- CADQ1. Do you agree with our proposed design of Cadent's FWACV Compliance PCD?
- CADQ2. Do you agree with the proposed design of Cadent's London Medium Pressure PCD?
- CADQ3. Do you agree with our proposed design of the PCD for Cadent's Grays Medium Pressure project?
- CADQ4. Do you agree with our proposed design of the PCD for the Tinsley Viaduct Diversion project?

### Outputs we propose to reject

- CADQ5. Do you have any views on our proposal to reject Cadent's Advanced Leakage Intervention programme and fund its non-mandatory repex programme based on the RIIO-GD2 approach?
- CADQ6. Do you agree with our proposal to reject Cadent's Net Zero Transition Planning proposal?
- CADQ7. Do you agree with our proposal to reject Cadent's Capacity Upgrades PCD?
- CADQ8. Do you agree with our proposal to reject Cadent's West Winch Pipeline PCD?

### Business Plan Incentive (BPI)

- CADQ9. Do you agree with our view that Cadent passed all of the minimum requirements and as such are considered to have passed Stage A of the BPI?
- CADQ10. Do you agree with our assessment results for Cadent against Stage B of the BPI?
- CADQ11. Do you agree with our assessment results for Cadent against Stage C of the BPI?

### Managing uncertainty

- CADQ12. Do you agree with our proposed design of Cadent's London Subways and Tunnel Re-opener?

### Cost of service

- CADQ13. Do you agree with our approach to cost exclusions and technical assessment for Cadent?
- CADQ14. Do you agree with our engineering assessment of Cadent's RIIO-3 Business Plan?

### Innovation

- CADQ15. Do you agree with the level of proposed NIA funding for Cadent?

**Data and Digitalisation**

CADQ16. Do you agree with our proposed level of funding for Cadent's data and digitalisation investments?

## 8. NGN Questions

### Outputs and incentives

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

### Business Plan Incentive (BPI)

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?

### Managing uncertainty

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

### Cost of service

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

### Innovation

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

### Data and Digitalisation

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

## 9. SGN Questions

### Outputs we propose to accept

- SGNQ1. Do you agree with our proposed design of SGN's Full Site and System Rebuilds PCD?
- SGNQ2. Do you agree with our inclusion of the Glenmavis and Isle of Grain projects in SGN's Full Site and Systems Rebuild PCD?
- SGNQ3. Do you agree with our proposed design of SGN's South London Mains PCD?

### Outputs we propose to reject

- SGNQ4. Do you agree with our proposal to reject SGN's cost to replace its fleet?
- SGNQ5. Do you agree with our proposal to reject SGN's Local Gas Treatment PCD?

### Business Plan Incentive (BPI)

- SGNQ6. Do you agree with our view that SGN passed all of the minimum requirements and as such are considered to have passed Stage A of the BPI?
- SGNQ7. Do you agree with our assessment results for SGN against Stage B of the BPI?
- SGNQ8. Do you agree with our assessment results for SGN against Stage C of the BPI?

### Managing uncertainty

- SGNQ9. Do you agree that SGN's Remote Pressure Management Strategy proposal should not be eligible for NZARD funding, and instead should be funded through baseline allowances?
- SGNQ10. Do you agree that SGN's Intelligent Gas Grid proposal should not be eligible for NZARD funding?
- SGNQ11. Do you agree that SGN's Biomethane improved access rollout proposal should not be eligible for NZARD funding, and instead should be funded through baseline allowances?
- SGNQ12. Do you agree that, in its current form, SGN's SIU decarbonisation (design costs) proposal should not be eligible for NZARD funding?
- SGNQ13. Do you agree with our proposal to reject SGN's submitted Other Distribution Mains and Services Re-opener?
- SGNQ14. Do you agree with our proposal to reject SGN's request for a bespoke River and Coastal Erosions - Asset Intervention Strategy re-opener?
- SGNQ15. Do you agree with our proposal to reject SGN's request for a bespoke South London Medium Pressure Re-opener?

### Cost of service

- SGNQ16. Do you agree with our engineering assessment of SGN's RIIO-3 Business Plan?



**Innovation**

SGNQ17. Do you agree with the level of proposed NIA funding for SGN?

**Data and Digitalisation**

SGNQ18. Do you agree with our proposed level of funding for SGN's data and digitalisation investments?

## **10. WWU Annex Questions**

### **Outputs and incentives**

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?

### **Managing uncertainty**

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?

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

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

WWUQ7. Do you agree that WWU's Improve energy system planning proposal should not be eligible for NZARD UIOLI funding?

### **Cost of service**

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

### **Innovation**

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

### **Data and Digitalisation**

WWUQ10. Do you agree with our proposed level of funding for WWU data and digitalisation investments?

## 11. GT Annex Questions

### Outputs and incentives

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

- GTQ1. Do you agree with the proposed licence obligation for National Gas to collaborate with NESO and to seek stakeholder feedback in the area of gas strategic planning?
- GTQ2. Do you have any views on the proposed design of this incentive?
- GTQ3. Is the yearly reduction in the target tonnes of carbon preferable to a target which remains constant throughout the price control?
- GTQ4. Do you have any views on the proposed design of this incentive?
- GTQ5. Do you think the limited life of this incentive is appropriate?
- GTQ6. Would you support a penalty only incentive in succeeding price controls?
- GTQ7. Do you have any views on the proposed design of this incentive?
- GTQ8. Do you consider it appropriate that the incentive is reputational rather than financial?
- GTQ9. Do you have views on potentially introducing this incentive as a financial incentive in RIIO-GT4 should National Gas show consistently good performance in RIIO-3?
- GTQ10. Do you agree with the proposed NTS Shrinkage package, including the design of the NTS Shrinkage procurement ODI-F and the proposal for a new licence obligation on National Gas to have a proportionate and appropriate NTS Shrinkage Procurement Strategy in place?
- GTQ11. Do you agree with the proposed scope of the NTS Shrinkage Review?
- GTQ12. What are your views on the scope or design of the mechanism, as well as on the proposed allowances in this section?
- GTQ13. Do you agree with the proposed Compressor Emissions PCD?
- GTQ14. Do you think the Network Decarbonisation and Emissions Compliance Re-opener & PCD is suitable for works which would have previously been funded through the Compressors Emissions Re-opener?
- GTQ15. Do you agree with the introduction of the proposed UIOLI mechanism for biomethane, including with the proposed scope and capex cost caps?

#### Secure and resilient supplies

- GTQ16. Do you agree with our proposed design of the NARM PCD?
- GTQ17. Do you agree with our proposed design of the Asset Health Non-Lead Assets PCD mechanism?
- GTQ18. Do you have any views with regard to the type, scope and allowances for the proposed UIOLI mechanism?

- GTQ19. Do you have any views with regard to the type, scope and allowances for the proposed nitrogen sleeve PCD mechanism?
- GTQ20. Do you agree with our proposed design of the WIRP PCD mechanism and the proposed allowance?
- GTQ21. Do you agree with our proposed design of the Bacton Terminal Site Redevelopment PCD mechanism?

**High quality of service from regulated firms**

- GTQ22. Do you agree with our proposed design of the Capacity Constraint Management incentive?
- GTQ23. Do you agree that a licence requirement around reporting on constraint management actions is necessary?
- GTQ24. Do you agree with our proposed design of the Demand Forecasting ODI-F?
- GTQ25. Do you agree with our proposed design of the Residual Balancing ODI-F for RIIIO-GT3?
- GTQ26. Do you agree with our proposed design of the Maintenance incentive for RIIIO-GT3?
- GTQ27. Do you have any views on the proposed design of this incentive?

**Managing uncertainty**

**Infrastructure fit for a low-cost transition to net zero**

- GTQ28. Do you agree with the proposed expanded scope of the Authority-triggered Gas Strategic Planning Re-opener?
- GTQ29. Do you have any views on the proposed Network Decarbonisation and Emissions Compliance Re-opener and PCD funding mechanism?
- GTQ30. Do you agree with retaining the Pipelines Diversion Re-opener?
- GTQ31. Do you have any thoughts on the materiality threshold proposed?

**Secure and Resilient Supplies**

- GTQ32. Do you have any views on the proposed Asset Health re-opener?
- GTQ33. Do you have any views on the proposed re-opener application windows?
- GTQ34. Do you agree with the proposed re-opener for National Gas' head office and GNCC relocation?
- GTQ35. Do you agree with Ofgem's proposal to introduce a new Network Capability re-opener in RIIIO-GT3 as set out above?
- GTQ36. Do you agree with the need for the proposed Bacton Enhanced Filtration Uncertainty Mechanism?
- GTQ37. Do have any views on our proposal to retain FIOC re-opener as it currently exists for RIIIO-GT3?

**High quality of service from regulated firms**

GTQ38. Do you agree with Ofgem's proposal to fund the proposed IT enhancements through Data and Digitalisation re-opener?

**GT specific pass-through costs**

GTQ39. Do you agree with our proposed list of National Gas specific pass-through costs as presented in this section?

**Other Uncertainty Mechanism Proposals**

GTQ40. Do you agree with our proposal for other Uncertainty Mechanisms as outlined above?

**Cost of service**

GTQ41. Do you agree with our proposed approach to Non-load Capex volume assessment based on engineering review? How can the use of expert assessment be further improved?

GTQ42. As part of our unit cost assessment, we have removed risk and contingency allowances greater than 10% (in line with RIIO-GT2) and removed risk and contingency allowances attributed to third parties. Do you agree with this approach?

GTQ43. As part of our unit cost assessment, we have removed percentage uplifts to unit costs attributed to project management and company overheads on the basis they are funded through other allowances. Do you agree with this approach?

GTQ44. Do you agree with our approach overall for unit cost assessment? Do you have any views on how our unit cost benchmarking methodology can be improved?

GTQ45. Do you agree with our approach to IT&T assessment? Do you think we should make any amendments to the assessment framework or thresholds employed? Should any cost categories be included or excluded from the assessment?

GTQ46. Do you agree with our approach to assessment for STEPM, Vehicles and Non-op Property? Do you think we should make any amendments to the assessment approach or assess these costs differently?

GTQ47. Do you agree with our proposed approach to cost assessment for Network Operating Costs?

GTQ48. What are your views on the proposed approach to CAI? How do you think this could be improved?

GTQ49. Do you agree with our proposal to remove the opex escalator?

GTQ50. Do you agree with our proposed approach to BSC? How do you think this could be improved?

- GTQ51. Do you agree with our proposed approach to separately assessed costs?
- GTQ52. Do you agree with our proposed approaches to Quarry and Loss and Pensions?
- GTQ53. Do you agree with our assessment approach for Physical Security? If not how should we assess these costs?
- GTQ54. Do you agree with our engineering assessment of NGT's RIIO-GT3 Business Plan?
- GTQ55. Do you agree with our proposed TIM sharing factor?

**Business Plan Incentive (BPI)**

- GTQ56. Do you agree with our BPI assessment results for National Gas as outlined in this chapter?

**Innovation**

- GTQ57. Do you agree with the level of proposed NIA funding for National Gas?

**Data and Digitalisation**

- GTQ58. Do you agree with our proposed level of funding for National Gas data and digitalisation investments?

## 12. NGET Questions

### Outputs and incentives

#### Outputs we propose to accept

NGETQ1. Do you agree with our proposal to introduce these six PCDs for NGET?

#### Business Plan Incentive

NGETQ2. Do you agree with our view that NGET passed all of the minimum requirements and has passed Stage A of the BPI?

NGETQ3. Do you agree with our assessment results for NGET against Stage B of the BPI?

NGETQ4. Do you agree with our assessment results for NGET against Stage C of the BPI?

### Managing uncertainty

#### UMs we propose to accept

NGETQ5. Do you agree with our proposal to introduce and proposed design of a NESO Separation re-opener?

NGETQ6. Do you agree with our proposal to introduce and proposed design of the Property re-opener mechanism?

NGETQ7. Do you agree with our proposed unit rates?

#### Cost of service

NGETQ8. Do you agree with our position on not providing funding for the non-load replacement of healthy assets?

NGETQ9. Do you agree with our requirement for clarity and consistency in optioneering assessments and underlying assumptions when considering asset health and GIS use for Site Strategies?

NGETQ10. What are your views on our engineering assessment of NGET's Business Plan?

### Innovation

NGETQ11. Do you agree with the level of proposed NIA funding for NGET?

### Data and Digitalisation

NGETQ12. Do you agree with our proposed level of funding for NGET's data and digitalisation investments?

## 13. Finance Annex Questions

### Allowed return on debt

- FQ1. Do you agree with our approach to estimating efficient debt costs and calibrating the index?
- FQ2. Do you agree with our proposal to use a combination of iBoxx GBP A and BBB 10+ non-financial indices rather than the iBoxx GBP Utilities 10+?
- FQ3. Do you consider our proposed notional ILD assumption to be appropriate?
- FQ4. Do you agree with our approach to setting the additional cost of borrowing allowances?
- FQ5. Do you agree with our proposed treatment of inflation with respect to the allowed return of debt?
- FQ6. Do you agree with the removal of the infrequent issuer allowance?

### Allowed return on equity

- FQ7. Do you agree with our methodology for calculating the RFR?
- FQ8. Do you agree with our methodology for calculating the inflation wedge?
- FQ9. Do you agree with our methodology change in calculating the ex ante TMR?
- FQ10. Do you agree with our methodology for estimating beta?
- FQ11. Do you agree with our proposed set of comparators which also incorporates selected European utility stocks?
- FQ12. Do you agree with the conclusions we have drawn from our chosen cross-checks?
- FQ13. Do you agree with our treatment of risks to the ET and Gas sectors as non-systematic?
- FQ14. Do you agree with our proposed dividend allowance policies for the notional gas and electricity companies?
- FQ15. Do you agree with our proposal not to apply the flat WACC approach?
- FQ16. Do you agree that our proposed package for gas and electricity companies is investable?
- FQ17. Do you agree with our working assumption that there is risk symmetry within the aggregate balance of the whole price control?

### Debt Financeability

- FQ18. Do you agree with our approach to assessing financeability?
- FQ19. Do you agree with our proposal to adjust bucket 2 capitalisation rates from natural rates to 85% for all ET licensees to support financeability? Are there alternative measures that stakeholders consider more appropriate?
- FQ20. Do stakeholders have views or evidence on long-term financeability considerations, including the appropriateness of the proposed asset lives?



### **Financial resilience**

FQ21. Do you agree with our proposal to implement the Financial Resilience measures as laid out in our SSMD and the proposed methodologies set out above?

### **Corporation tax**

FQ22. Do you agree with the proposed position that by including robust protections within the Price Control Financial Handbook, a tax forecasting penalty is not required?

FQ23. Do you agree definitions for ANDt and TDNI should be updated to reflect the principles outlined in paragraph 7.41?

### **Regulatory Depreciation**

FQ24. What are your views on our proposal to accelerate depreciation for new assets only in GD and is there any further evidence you would like us to consider before we reach a final decision?

FQ25. Do you agree with our proposal to maintain the existing depreciation policy for gas transmission assets?

FQ26. Do you agree with our proposal to maintain the existing depreciation policy for electricity transmission assets?

### **Return Adjustment Mechanisms**

FQ27. Do you agree with our proposals for the RAM thresholds and adjustment rates?

FQ28. Do you agree with our proposal to include programmes such as ASTI within RAMs?

### **Indexation of Regulatory Asset Value**

FQ29. Do you agree with our proposals for RAV Indexation?

### **Other finance issues**

FQ30. Is there any additional evidence we should consider to improve our setting of regulatory capitalisation rates?

FQ31. Do you agree with the approach to maintain the RIIIO-2 treatment for disposal of assets?

FQ32. Do you agree with the proposal for the ex ante base revenue definition we will use to calculate the re-opener materiality thresholds?

FQ33. Do you agree with the proposal for how we will set ODI caps and collars at final determinations that are fixed for the duration of RIIIO-3?

FQ34. Do you agree with the proposal to move to using nominal WACC as the single uniform TVOM?

- FQ35. Do you agree with the proposed base revenue forecasting penalty mechanism?
- FQ36. Do you agree that the thresholds have been set appropriately?

## **14. Impact Assessment Questions**

IAQ1. Do you agree with our approach to assessing the economic impacts of RIIO-3?

IAQ2. What are your views on the appropriate approach to evaluation of the economic impacts of RIIO-3?

IAQ3. Do you agree with our approach to modelling the bill impacts of RIIO-3? Please provide any additional effects or alternative measures that you think would be appropriate.