



nationalgrid

Overview Consultation Document Response

National Grid Electricity Transmission

August 2025

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

We agree with Ofgem's view that Independent Stakeholder Groups (ISGs) should continue to play an important, enduring role during RIIO-3 and beyond as our ISG has been instrumental in shaping a business plan that reflects the needs of the people we serve.

Since taking the decision to retain an external stakeholder challenge group in 2019, we expanded its membership in 2024 to strengthen regional representation and have embedded its challenge and insight throughout our RIIO-3 planning activities. Over 11 sessions and 70 hours of engagement, the ISG has raised more than 145 targeted challenges, helping us refine our proposals and improve the relevance and transparency of our submission to Ofgem. Looking ahead, we see the ISG as a long-term partner that continues to play a key role in monitoring, challenging and providing input into our stakeholder engagement activities. We value the role the ISG can play in helping us to understand the full range of issues that matter to stakeholders, which in turn means we can better reflect these in the approach we take to developing investments. We also value the role the ISG can play during RIIO-3 to hold us to account by monitoring our delivery and transparency. The ISG's scrutiny and expertise will support us in delivering on our commitments and fulfilling our role as a stakeholder-led organisation with a commitment to fairness, legitimacy and a strong consumer focus.

Ofgem should maintain its current position at Final Determination.

OVQ2. Do you agree with our proposed position on the Environmental Action Plan and Annual Environmental Report ODI-R for RIIO-3?

We agree with Ofgem's proposed position on the Environmental Action Plan (EAP) and Annual Environmental Report (AER) ODI-R for RIIO-3, subject to reviewing Ofgem's proposed KPIs once available.

We welcome Ofgem's acknowledgement of the value in TOs reporting annually on their environmental commitments. We agree that introducing a degree of standardisation across TOs will be beneficial, not only for Ofgem but also for wider stakeholders who rely on these reports for transparency and accountability.

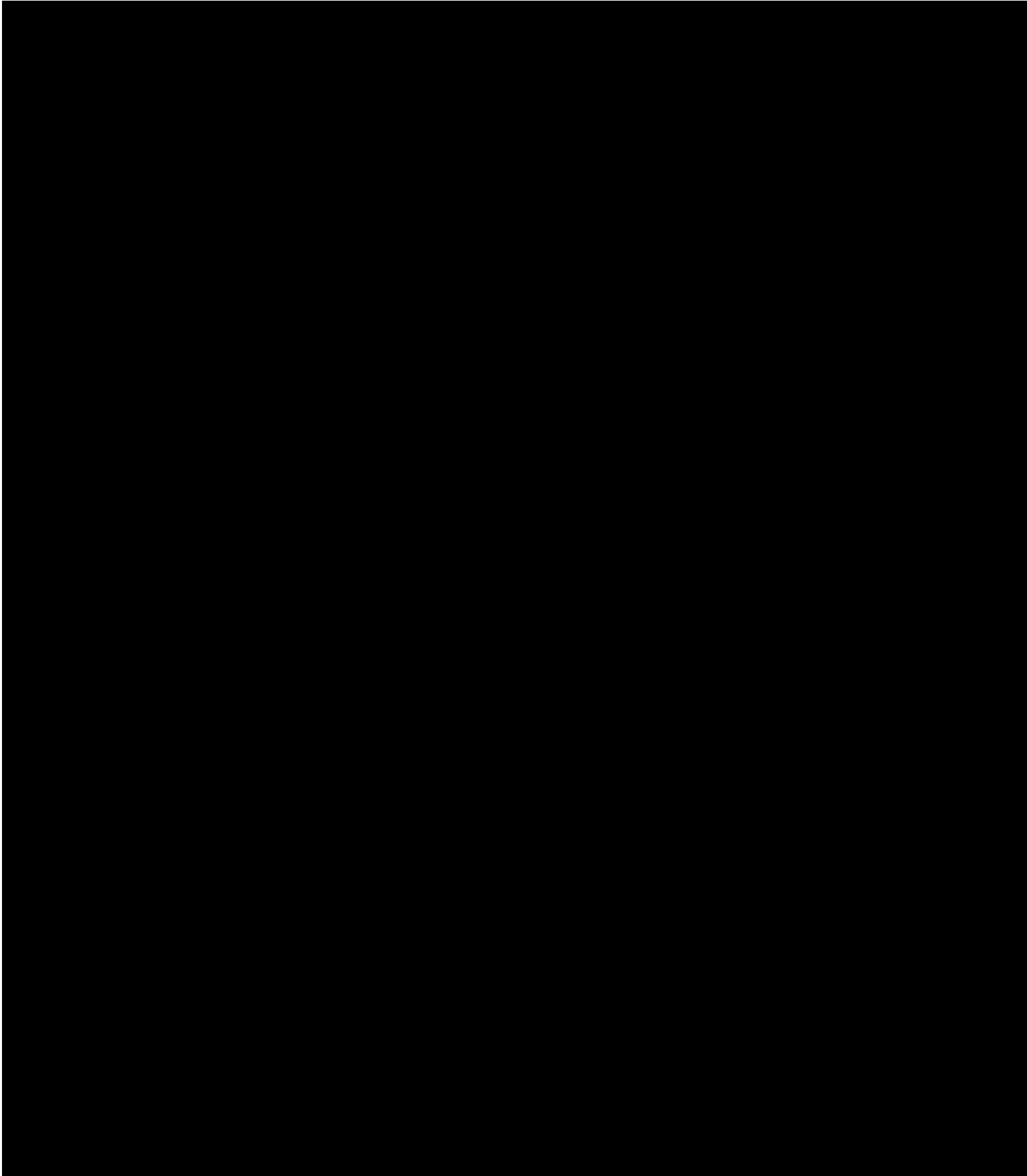
We currently report annually on all of our EAP commitments in our AER, which includes metrics, supporting narrative and an accompanying methodology statement. We are therefore comfortable with Ofgem's proposal to formalise the split between qualitative and quantitative sections. We are also comfortable with Ofgem's proposed position to remove the separate BCF ODI-R.

We agree in principle with the introduction of mandatory KPIs and support the idea of maintaining consistency across TOs, however our full endorsement is subject to reviewing Ofgem's proposed KPIs once they are available. We do have concerns regarding the feasibility of complete uniformity, for example in areas such as biodiversity reporting, where the current metric applies only to England. Metrics developed for Scotland and Wales may also differ due to regional environmental frameworks and policy context.

Ahead of Final Determination Ofgem should provide their proposed mandatory KPIs for review and we look forward to working collaboratively with Ofgem and other TOs to determine an appropriate and valuable set of reporting standards for the RIIO-T3 period.

OVQ3. Do you agree with our consultation position to create a new common mechanistic PCD for ZEV and associated infrastructure costs?

We do not agree with Ofgem's consultation position to create a new common mechanistic PCD for Zero Emissions Vehicles (ZEV) and associated infrastructure costs because there are material differences across network companies in the use of electric vehicles, equipment and resources within operations and consequently in the associated infrastructure to be installed within the RIIO-T3 period. However, we would support the introduction of a mechanistic PCD for ZEVs and associated infrastructure costs which are appropriately tailored to the specific requirements of each individual network company.



OVQ4. Do you agree with our proposed approach to measuring Baseline Network Risk Outputs and our application of the NARM mechanism?

We agree with Ofgem's position for how to measure BNRO where it aligns with the NGET Network Asset Risk Annex v7 (<https://www.nationalgrid.com/document/356146/download>) reflecting some key improvements since RIIO-T2. However, the final BNRO will need to be refined to:

1. reflect the final allowed non-load plan;
2. address the issue that BNRO is heavily influenced by some specific assets; and
3. ensure transparency over the approved asset list.

We do not agree with Ofgem's use of End of Life (EOL) scores¹ in place of a network risk metric to assess the need for asset interventions or the application of the NARM funding adjustment mechanism, which is addressed in OVQ5.

We have worked with Ofgem during RIIO-T2 to improve the methodology for calculating BNRO by standardising in line with the method used in Electricity Distribution. We reached agreement before our RIIO-T3 business plan submission to use the 'immortal model', which addresses some of the issues associated with the 'analytical model' for calculating BNRO used in RIIO-T2. However, neither model addresses the issue that BNRO is heavily influenced by assets with very high or very low 'Consequence of Failure' values, as discussed at a bilateral held on the 3rd October 2024 and referenced in previous NARM RRP narratives (section 2.1 in 2021/22 and section 5.2 in 2023/24).

This is why we adopted a risk categorisation methodology to prioritise assets for inclusion in our non-load related plan. We are concerned that, in undertaking its Engineering assessment, Ofgem has reverted to a simple condition-based measure (End of Life score) to select which interventions it considers to be justified (and hence funded for intervention in RIIO-T3), rather than using a network risk metric. This is an ineffective way to manage network risk to ensure it remains relatively stable during RIIO-T3 and future price control periods.

The response from Ofgem to DDQ 037 indicates that Ofgem believe using an End of Life (EOL) score of 75 represents the upper quartile of EOL scores, aligning with NGET's approach in RIIO-T2. However, this statement is incorrect because the EOL score is not linear, and it is not representative of the upper quartile from a volumetric perspective. Changes in EOL are prompted by the condition indicators detailed in the NGET Network Asset Risk Annex (NARA), section 13. Assets move through the EOL scores at different rates. Each factor that informs EOL is a score of observed condition, which cannot be translated into percentiles. The EOL modifier is used within NARM to reflect an asset's equivalent age, demonstrating whether it is in better or worse condition than expected for the relevant Weibull distribution, describing the asset family's deterioration. The EOL modifier will adjust the asset's likelihood of failure up or down the Weibull curve.

Furthermore, EOL trigger points vary by asset type. An EOL score of 80 for one asset may not translate to the same expected deterioration point as for another asset type. For example, as covered in the Overhead line bilateral discussion held on the 30th July 2025, Overhead Line conductors have a trigger point [REDACTED] where we would expect the assets to be in a state requiring replacement. Therefore, applying the same EOL cut-off point across all assets in the RIIO-T3 plan is flawed, as the EOL scores represent different grades of deterioration for different asset types, and cannot be directly compared.

EOL scores are not the only factor considered when evaluating the need for an intervention, as explained in our response to NGETQ8 and NGET_RIIO3_NGETQ10_Asset Health Decision Making.

In addition, we cannot reconcile all the proposed BNRO values as listed in the Draft Determinations. For example, in table 6 in the NGET Annex, the BNRO for 400kV circuit breakers is approximately half the value it should be; this is an error and needs to be corrected. To rectify this, we ask that Ofgem provides the approved named asset list ahead of Final Determinations, that is reflective of the final allowed non-load replacement and refurbishment plan. In determining the final approved asset list, Ofgem will need to consider our response to NGETQ10 and the additional information that we have provided in relation to NLRE investments as requested under paragraph 5.27 of NGET Annex. We can then provide accurate, updated BNRO figures reflective of the NARM methodology application.

¹ Further detail in our response to NGETQ8 and DD01 Asset Health Decision Making document

By Final Determination, Ofgem must:

- **Reassess non-load replacements considering additional asset management factors beyond simple End of Life scoring in line with best-practice risk-based asset management approaches**
- **Refine the final BNRO values to reflect the final allowed non-load plan and ensure transparency over the approved asset list.**

OVQ5. Do you agree with our proposed approaches to calculating the funding adjustments and to the application of penalties?

We do not agree with the approaches proposed in the Draft Determination to calculate funding adjustments under the NARM framework primarily because the funding mechanism is not cost-reflective of the work involved. We do not agree that the application of penalties because the definition of justified/unjustified (the latter triggering a 2.5% penalty) is not clear.

While we are satisfied for NARM to remain as a measure of network risk and a means for prioritising asset health works, its use as a funding adjustment mechanism is inappropriate.

NARM was established to provide a flexible mechanism to measure and manage network risk. The mechanism should guide us to efficiently manage cost and risk in the best interest of consumers. Under the proposed framework, TOs will effectively be incentivised to deliver a pre-agreed list of asset interventions regardless of changing circumstances over RIIO-T3, which is not representative of changing network usage and non-linear asset deterioration. The most significant shortcomings in the proposed framework are:

1. The automatic funding adjustment is not cost-reflective of the work involved
2. The proposed automatic funding mechanism does not deal with the transition between price control periods
3. The application of penalties is inappropriate because it is poorly defined
4. Overhead line conductors are proposed to be funded by two separate mechanisms

Each of the items above are described in more detail below.

By Final Determination, Ofgem must:

- **Work with us and other TOs to create and appropriately consult on the establishment of a new funding adjustment mechanism that is cost-reflective (i.e. based on average unit costs of delivery) and reduces the need for ex post assessment**
- **Work with TOs and consult appropriately on proposals ahead of Final Determinations to provide clarity on how T2/T3 crossover projects will be funded as per our response to ET39**
- **Reconsider the application of penalties for NARM 'under-delivery' because the definition of justified/unjustified (the latter triggering a 2.5% penalty) is not clear**
- **Remove asset health interventions on overhead line conductor from BNRO values as these can be managed more effectively alongside load-related interventions under a mechanistic PCD.**

The automatic funding adjustment is not cost-reflective to the work involved

This currently operates using a Unit Cost Ratio that is proportional to Network Risk Output meaning that there are very wide variations between baseline funding and funding adjustments at asset and project level.

Ofgem has recognised this and addressed it by tightening the rules on Clearly Identifiable Over-/Under-Delivery such that, instead of being applied in exceptional cases, it is now the exception for a change to the plan to be funded automatically. Given the amount of change likely to be triggered in response to a dynamic load-related plan, and the fact that NGET will need to use the NARM mechanism to fund projects currently in our pipeline (i.e. with no baseline funding), the majority of our plan is likely to be subject to ex-post assessment. This means that we will not be certain of allowances until potentially 2034 for investments that may have occurred in 2027. The proposed mechanism is therefore flawed as it increases risk, regulatory uncertainty and complexity, and reduces the efficiency incentive on TOs.

We have previously provided evidence to Ofgem on the above shortcomings via the regular RIIO-T2 NARM Working Groups and also in bilateral discussions. This includes analysis of our proposed RIIO-T3 asset health investments to demonstrate that the automatic funding mechanism will not apply for the vast majority of our baseline and pipeline investments, hence meaning that any plan changes will be subject to ex-post assessment. This undermines Ofgem's position that NARM is a workable funding framework.

Prior to Final Determinations, we request that Ofgem works with the TOs and appropriately consults on the

establishment of a new funding adjustment mechanism that is cost-reflective (i.e. based on average unit costs of delivery) and reduces the need for ex post assessment. This has the added benefit of being consistent with the funding of mechanistic Price Control Deliverables (which in RIIO-T2 cover overhead line conductor, protection & control interventions, and replacement and refurbishment of bay assets and instrument transformers).

Given Ofgem's stated ambition to expand the current NARM framework to include more of these asset types, converging on a single funding adjustment mechanism would also bring wider benefits of consistency and clarity and increase confidence for Ofgem and industry in the mechanism.

We have provided data at a bilateral session held on the 30th April 2025, and a worked example sent via email on the 6th May 2025, of how this can operate to provide cost-reflective funding for lead assets (hence reducing the risk of windfall gains and losses), increasing regulatory certainty and decreasing bureaucracy by more asset intervention changes being subject to automatic funding adjustments. A series of discussions is needed urgently now to design and agree the detail of a workable mechanism ready for inclusion in Final Determinations.

The proposed automatic funding mechanism does not deal with the transition between price control periods

If an intervention is not delivered by 31 March 2031 (even if it is only one day late) all the associated funding is automatically removed (even if spend on the project is 99% complete) and there is currently no known route to funding. This creates an unnecessary cliff-edge between price controls, which will prevent TOs from delivering investments.

In the ET Annex, Ofgem acknowledges that there is an issue with such T2/T3 crossover projects (of which this is one sub-category) and states that its consultation position is to *"Ensure that efficient and justified RIIO-ET2-incurred costs for projects delayed into early RIIO-ET3 are appropriately funded - either through RIIO-ET2 close out or mechanisms within the RIIO-ET3 framework"*. It is essential that this material crossover issue and associated underfunding is appropriately addressed by Ofgem prior to Final Determinations. We also want to proactively work with Ofgem to resolve this issue so that it does not recur at the end of the T3 period/start of future period control periods.

We therefore need discussions on the treatment of T2/T3 crossover projects (which are currently unfunded) to agree an approach for inclusion in Final Determinations; this should also address the future issue of T3 crossover to future price control arrangements so that ETOs are not put in the same position again at the end of the T3 period. (Please also see our response to ETQ39.)

The application of penalties is inappropriate because the definition of justified/unjustified is not clear

Under the current NARM framework, a 2.5% penalty is applied to funding adjustments associated with unjustified under-delivery. However, the definition of 'unjustified' has not been clearly set out, meaning that this decision is subjective.

Given the amount of interventions required on the electricity transmission network over the RIIO-T3 period, and the fact that change (e.g. that driven by customers) is inevitable, TOs need framework flexibility to respond to such changes appropriately and with confidence regarding any consequences. This is in the interest of both customers and consumers because it allows the asset health plan to be re-optimised in an agile manner, rather than being geared to a view of an optimal plan up to seven years in advance of delivery.

Overhead line conductors are proposed to be funded by two separate mechanisms

It should also be noted that our asset health interventions on overhead line conductor, as well as being reflected as part of the DD BNRO position, have also been included in a proposed mechanistic Price Control Deliverable (Table 7 in the NGET Annex refers). It is inappropriate to have two funding mechanisms for one intervention. We assume that this is an error on Ofgem's part because it means that, were a reconductoring project no longer required, both mechanisms would claw back allowances resulting in NGET losing twice the funding it initially received.

Given that our asset health intervention on overhead line conductor is scoped to also provide network capacity increases for customers, it would be appropriate and pragmatic for these to be considered alongside load-related interventions and these interventions could therefore be removed from the BNRO values. This would also mean that issues encountered during RIIO-T2 where it has not been clear how to deal with non-load related reconductoring being superseded by load-related reconductoring would be dealt with automatically.

OVQ6. Do you agree with our proposed approaches to improving the NARM framework?

We do not agree with the proposed approaches to improve the NARM framework set out in the Draft Determinations as they will add additional complexity to an already complex framework, restrict flexibility in the management of asset risk and focus more on audit than driving outcomes for the benefit of consumers.

However, we do agree with the intent to simplify and improve the existing methodology and will work with Ofgem and the other TOs to develop agreeable solutions.

We see value in simplifying the NARM methodology and improving its implementation to drive effective management of asset risk as referenced in our response to OVQ5. We will work with Ofgem to agree an approach to improving and further developing NARM, where the greatest value will be achieved. It is now essential that regular engagement between Ofgem and the TOs happens in order that the NARM framework can be appropriately improved before Final Determinations.

We have the following concerns relating to the proposals in the Draft Determinations that we wish to work with Ofgem and other TOs to resolve before Final Determinations:

1. **Proposed developments would add further complexity to NARMs** – Development work should be focused on driving simplicity and fairness to operate as a prudent asset manager, rather than the added detail and complexity proposed, that would detract from the outcome of enhanced asset risk management.

In paragraph 5.10 of the NGET Draft Determinations Annex, Ofgem states that the “relationship between the EoL and NARM scorings are unclear to us, and we believe that the EoL is the most robust data point in this instance” suggesting that the application of NARM for RIIO-T3 is already complex and therefore work should focus on simplification to better understand asset management decisions and drive better outcomes.

We support simplification of NARMs in order to expand it appropriately and develop a workable framework.

2. **Restricted TO ability to manage assets and respond dynamically to changing context** – The mechanism’s current guise requires considerable effort to manage and maintain the NARM methodology. We recognise the importance of being able to balance cost and risk. However, the rigidity in the current implementation of NARM does not allow networks to manage asset risk in a dynamic and developing network.

We understand the intent in creating a common Engineering Guidance Document with the other Electricity Transmission Owners; however, as there will be differences between asset management practices and policies for how asset health is assessed between organisations, a common, prescriptive engineering approach will limit innovative practice in achieving the desired outcomes. An alternative method to achieve the desired outcomes could be through documenting the asset health scoring in the NARA – we will work with Ofgem and other TOs to find the best solution in the interests of consumers, Ofgem and TOs.

3. **Proposals focus on tracking and audit as opposed to enhancement and ‘fixing forward’** – The proposed Information Gathering Plans (IGP) do not serve a clear purpose to improve asset management decision making – these should be developed based on the top-down approach of achieving asset risk outcomes rather than the bottom-up approach of gathering a vast array of data.

The draft licence condition published for consultation on 30 July 2025 requires submission of the Information Gathering Plan by the 1st April 2026, the same day the licence comes into effect. As the obligation to produce and provide the IGP will not exist prior to this date, the proposed provision date is unrealistic and Ofgem must clarify this position. We propose this deadline is adjusted to be the 1st September 2026, to allow sufficient time for a formal submission, if the Information Gathering Plan is still deemed necessary.

From the proposals in the Draft Determinations, as they stand, it is unclear how the development will be beneficial to the consumer and we would encourage Ofgem to assess proposals and consult appropriately, justifying the benefits of proposed changes. We have not seen options on alternatives to further develop NARM, that sufficiently justify the development work, such as demonstrating the consumer value and driving better asset management decision making. We’re committed to making the framework manageable, workable and sustainable in the best interest of consumers learning from the developments of NARMs as an evolution of the Network Output Measures (NOMs) that involved calibration, testing and model validation across TOs to ensure that similar inputs and outputs would lead to better decision-making – this intent remains valid and will drive better outcomes through innovation in asset management practice.

By Final Determination, Ofgem must:

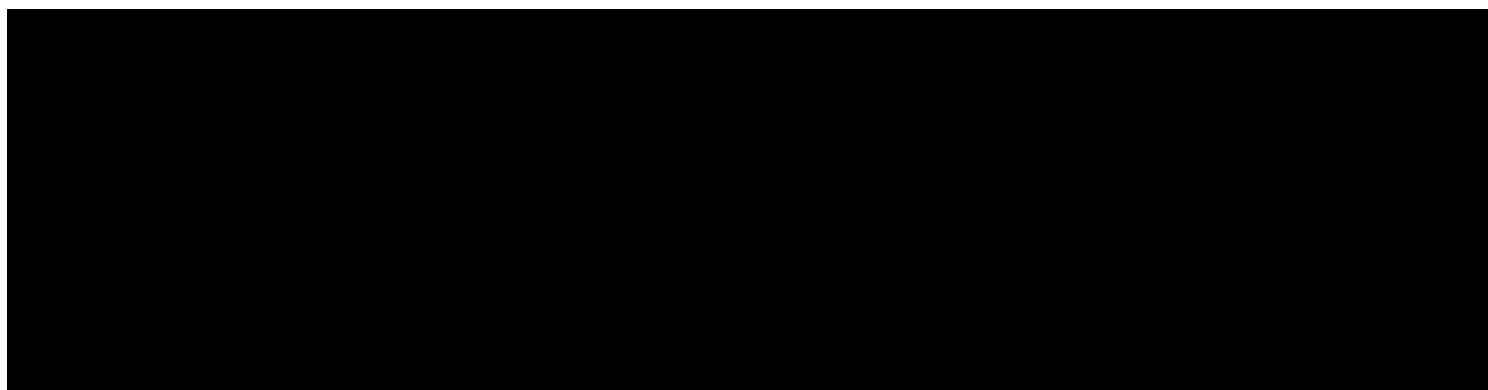
- **Provide an alternative proposal of development work required for NARMs with input from the TOs so we can work together to improve the approach and application of NARMs in RIIO-T3**
- **Review the proposed deadline and purpose of the IGPs to sufficiently implement the submission process**
- **Develop and consult on the consumer value case for future changes to NARMs.**

OVQ7. Do you agree with our proposal for the physical security PCD?

Given we have only received CAPEX baseline funding for technical asset refresh, we understand this PCD is intended to apply to technical asset refresh. We understand that when new sites CAPEX funding is received, we will discuss PCDs for these with Ofgem.

We agree with the principle to set a Physical Security PCD for CAPEX for technical asset refresh and aligning this to the DESNZ CNI designation list (referred to in paragraph 4.57 of the Overview Document). However, noting this list may change during the price control period, further clarification is required regarding the financial treatment of costs in the event of such changes to the designation list.

We would support a PCD to cover the capex element of physical security as this covers tangible outputs at a quantifiable number of sites. Accordingly, we propose the PCD is based on an output of delivering the required technical asset refresh of existing security assets at a fixed number of sites by the end of the T3 period:



We support the principle of aligning the scope of the PCD to DESNZ's CNI list, however further clarification is needed regarding the financial treatment of costs in the event of changes being made to the designated list by DESNZ during the price control period and how this will impact under different scenarios.

To ensure Ofgem has visibility of progress, we propose that NGET should report on an annual basis through existing reporting mechanisms.

We understand Ofgem is not seeking to apply a PCD to OPEX costs, which we support on the basis that OPEX costs are not linear and are expected to fluctuate year-on-year based on the type of work required.

Ofgem should:

- **Adopt a Physical Security PCD for CAPEX based delivering the required technical asset refresh of existing security assets at agreed CNI sites by the end of the T3 period**
- **Clarify how costs will be treated where there are changes made by DESNZ to the designated list during the price control period**
- **Confirm that reporting will be on an annual basis through existing reporting mechanisms.**

OVQ8. Do you agree with our approach taken to review of the Climate Resilience strategies?

We agree with Ofgem's overall approach to Climate Resilience Strategies, including the position that a new licence obligation should not be introduced from the start of RIIO-3.

We welcome the positive feedback, which recognises that we are demonstrating a good understanding of our climate-related risks. There was a mixed level of response on the costs relating to a recent climate event, alternative financial assessment tools and the barriers to making a viable business case. Through industry forums such as the ENA Climate Resilience Working Group, we have stressed the clear differences between effects of extreme weather events on Transmission Networks and those on Distribution networks and how they will evolve over the decades due to climate change.

We look forward to working together with Ofgem and other Network companies to develop the guidance for Transmission Networks. We agree with Ofgem's position in paragraph 4.69 that a new licence obligation should not be introduced from the start of RIIO-3 and that the introduction of any licence condition should be subject to the usual process of consultation.

We are aligned with the need to provide updates on our progress on climate scenario planning, with the next update due in 2028. We welcome further clarification on the scope and timelines for submissions.

Ofgem should maintain its current position at Final Determination.

OVQ9. Do you agree with our views on the Workforce Resilience Strategies?

We agree with Ofgem that our Workforce Resilience Strategy meets the requirements set out in the Business Plan Guidance and in the SSMD. However, as we have continued to develop our approach since the submission of our business plan in the context of ongoing workforce pressures and an increasingly competitive market, we are now looking for Ofgem to support additional funding to enable us to implement initiatives that will further support our attraction and retention activities and enhance workforce resilience.

Attracting and retaining a competent, skilled workforce is a central enabler to delivering our ambitious RIIO-T3 Plan and successfully play our role in achieving Clean Power 2030. We are already experiencing significant workforce pressures, against a backdrop of a constrained market for key skills leading to significant recruitment and retention challenges.

These challenges are most acute in 13 critically constrained role clusters, which have been identified by comparing our Strategic Workforce Needs assessment against ONS data on workforce market supply. These roles are essential in helping us deliver our plan but increasingly challenging to attract and retain due to insufficient market supply and the extended 'time to competency' for these roles.

Increased attrition in critical roles is already having a tangible impact on both our ability to deliver our RIIO-T3 plan, as well as on overall consumer value. As examples, the loss of a single Senior Authorised Person (SAP) directly resulted in [REDACTED] worth of asset health interventions being delayed in a single month. The loss of one Power Systems Engineer led to the need to use consultancy resource, totaling [REDACTED] on top of the cost to recruit and train a new permanent individual. The current operation of an emergency rota in our control room with 12-hour shifts is costing us [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

We have set out the detail of these interventions, their impact and related costs in RIIO-T3 in our answer to SQ NGET201.

At Final Determination Ofgem should support our request for a funding uplift on our people-related costs, which will further support our ability to attract and retain critical roles and ensure workforce resilience.

OVQ10. Do you agree with our views on the Supply Chain Resilience Strategies?

We agree with Ofgem's position that our Supply Chain Resilience Strategy meets the requirements set out in SSMD and the Business Plan Guidance.

The supply chain is a critical enabler in delivering our RIIO-T3 plan and our strategy sets out how we will navigate the changing supply chain environment to ensure our plans are deliverable and consumers have the benefit of an efficient supply chain for years to come. This includes details of how we anticipate, adapt and recover from changes across our supply chain.

We note Ofgem's encouragement for networks to do more and, where appropriate, collaboratively on specific measures of supply chain resilience. We commit to working with the other GB TOs to explore opportunities for collaboration in this space, and we have meetings scheduled to take this forward. We will provide an update to Ofgem on the outcome of these discussions.

We are also working closely with key stakeholders, including Government, to drive forward the development of the Networks Industry Growth Plan (IGP) which aims to provide a collective view of future demand, identify opportunities to improve the resilience and the capability of domestic supply chains to support economic growth.

We consider that it will likely be challenging to develop quantitative metrics to measure supply chain resilience. Key to being able to anticipate and adapt in the event of emerging shifts is how we use qualitative measures and monitor trends in supply chain intelligence/ data. For example, measuring the percentage of our workbook that has been secured under a framework, and maintaining an emerging view of market resource utilisation across procurement categories.

Our Supply Chain Resilience Strategy sets out what we do to continuously assess and act on the intelligence and trends we monitor. We keep a pulse check across key categories such as lead times, factory availability, and access to new suppliers. Much of this intelligence is collected through our Strategic Supplier Engagement Program detailed in our annex, which enables builds our supply chain relationships and allows for collaborative understanding and solution development to emerging constraints/ trends, e.g. utilising the flexibility of the Advanced Procurement Mechanism. This is an approach which has been publicly welcomed by the supply chain and is central to how we are embedding programmatic procurement (e.g. the Great Grid Partnership and our newly launched Electricity Transmission Partnership).

Ofgem should maintain its current position at Final Determination.

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?

We agree with the equal weightings applied to the criteria in the scorecards for the Stage C assessments.

It is our view that the criteria in each scorecard are of broadly equal importance to consumers, and the use of equal weights ensures simplicity. The use of alternative weightings could risk the introduction of subjectivity, discretion and complexity into the regulatory review process with limited benefit to consumers.

Ofgem should maintain its current position at Final Determination.

OVQ12. Do you agree with the weightings applied per outcome for each sector for use in the Stage C - Business Plan commitments assessment?

We do not agree with the weightings currently applied per outcome for the electricity transmission sector in the Stage C Business Plan commitments assessment, which do not reflect the equal weight that we have placed within our RIIO-T3 business plan across the three outcomes of “infrastructure fit for a low-cost transition to net zero”; “secure and resilient supplies”; and “high quality of service for regulated firms”.

Ofgem has currently applied weightings of 40% to both “infrastructure fit for a low-cost transition to net zero” and “secure and resilient supplies”, with 20% applied to “high quality of service for regulated firms”.

The rationale provided in paragraph 5.23 for giving a lower weight of 20% to the quality-of-service outcome is that TOs have fewer direct interactions with consumers than other sectors. However, our view is that this overlooks the consumers that we interact with indirectly. As highlighted in paragraph 1.1 of the SSMD executive summary, network companies must deliver high quality and reliable service to all consumers and network users. This includes those network users with whom NGET has a contractual relationship via the NESO. Our T3 Business Plan includes, for example, 35 GW of new generation connections and 19 GVA of new demand capacity. These are essential to meeting net zero targets and supporting economic growth and as such, our view is that the current weighting of 20% does not adequately reflect the large scale of customer connections that we will be delivering through this plan.

We also note a potential inconsistency in approach. The gas transmission sector, which similarly has fewer direct interactions with consumers than the gas distribution sector, was assigned a 30% weighting for the quality-of-service outcome, equal to that applied in gas distribution.

To better reflect the scale and importance of our customer-facing activities, and to ensure consistency across sectors, we propose equal weightings of 33.3% across all three outcomes. At a minimum, a revised split of 30% for ‘infrastructure fit for a low-cost transition to net zero’ and 35% for the other two outcomes would align more closely with the approach taken in gas transmission.

Ofgem should apply equal weightings across each of the outcomes in the Stage C Business Plan commitments assessment for the electricity transmission sector at Final Determination.

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

We agree with the proposal to retain a default materiality threshold as set out in RIIO-T2, however Ofgem must provide further clarity by Final Determination on its application and how the proposed formula to determine the threshold will operate with the TIM approach.

We understand the rationale that this materiality threshold is important to ensure that re-openers are not over-used and reduce the regulatory burden of a complex framework. We do not agree that the threshold is important to ensure companies manage their own cost risk. Cost risk management and stretching efficiencies are covered by TIM rather than this threshold. In the Draft Determination, Ofgem acknowledges that uncertainty mechanisms exist where there is significant uncertainty and these mechanisms adapt certain elements of the price control during the period. As such it is illogical to transfer the cost burden to network operators where the cost falls below the default materiality threshold without otherwise compensating the networks for the costs they will incur during the price control.

TIM is not a funding mechanism as appears to be implied in paragraph 6.5; TIM exists to provide network operators with an incentive to keep costs as low as possible, without being unreasonably exposed to potential cost overruns. It is not appropriate for network operators to be underfunded, either unintentionally or as a conscious decision, because of a materiality threshold. If the intent through the materiality threshold is to pass the cost risk for all investments arising following Final Determinations, then before Final Determinations, we would seek to agree a reasonable estimate of the risk being transferred and an appropriate allocation of allowances to cover this. To put this into context, Ofgem are proposing that for an investment to be deemed relevant it would need to exceed £5.6m. If applied to those uncertain projects included in our submitted business plan, this would transfer cost risk of £160m to NGET.

We are unclear how the default materiality threshold is intended to interact with other specific provisions proposed elsewhere in the framework. For example, the Load Related Reopener states that it has a materiality threshold of £25m or above. Based on the TIM proposals, a project of £25m may have an adjustment to allowances below the default threshold set out in this proposal. We assume that the threshold set out in the Load Related Reopener takes precedence over the default materiality threshold set out in paragraphs 6.5 to 6.7. in the Draft Determination.

We note that in the Non-Load Re-opener outlined in the Electricity Transmission annex, the summary of consultation position states that the materiality threshold is 0.5% of ex ante base revenue, whilst in paragraph 4.182 of the same document it states that “adjustments to allowed revenue will only be made where we determine that the proposed adjustment, when multiplied by the applicable TIM rate, exceeds 0.5% of the licensee’s average annual ex ante base revenue’. We require this to be clarified, however would also suggest that the use of a bespoke materiality threshold for this mechanism is more appropriate.

We also note that there are no stated materiality thresholds within the Pre-Construction Re-Opener, Generation and Demand volume drivers, treatment of T2/T3 crossover projects and the independent technical adviser mechanisms. We do not feel it is appropriate to use the default materiality threshold for these mechanisms since allowances are either determined through a mechanistic approach, either a calculation or passthrough. We would suggest that, at Final Determination, the approach to include all projects meeting eligibility criteria for these mechanisms is considered.

The default position for the materiality threshold proposed would mean that for companies’ re-opener applications to be considered, the proposed adjustment when multiplied by the TIM rate would need to exceed 0.5% of annual average ex ante base revenue. This is aligned to the methodology used in RIIO-T2, however in RIIO-T2 there was a single defined TIM rate for the price control period. In Draft Determination, Ofgem has proposed a stepped TIM approach, which is determined on an annual basis. This has two unintended consequences for the materiality threshold. Firstly, there is no longer a prevailing TIM rate to be used in the calculation of the threshold. Secondly, the TIM rate is proposed to be calculated on an annual basis. These factors lead to differing materiality thresholds throughout the price control period, as networks’ performance within the bands is reflected. This has the unintended consequence whereby a project meeting the threshold in one year of the price control may not meet the threshold in other years. We propose that a materiality threshold is set for the price control based on the lower threshold of 5% and that this is incorporated into the licence as a fixed value, as was done in RIIO-T2.

By Final Determination, Ofgem should:

- **Provide clarity on whether the default materiality threshold or a bespoke materiality threshold applies for each mechanism**
- **Address the proposed funding gap created by the materiality threshold through:**
 - **The use of bespoke materiality thresholds where appropriate for uncertainty mechanisms**
 - **Employing automatic adjustment mechanisms such as volume drivers more widely**
 - **Compensating networks for underfunding through allowances or an increase to the Cost of Equity.**

OVQ14. Do you agree with our proposed amendments to the CAM for RIIO-3?

We agree with the proposal to retain the Coordinated Adjustment Mechanism (CAM) for RIIO-3. The reopener is an appropriate mechanism for allowing timely reallocation of responsibilities when they are identified over the course of a price control period. It also helps address the fact that price control periods are different across electricity transmission and electricity distribution.

We welcome the removal of reopener windows, which will allow submissions under CAM at any time during RIIO-3. This added flexibility will help ensure timely and efficient adjustments.

As network companies, we are committed to developing coordinated, economic, and efficient networks in line with licence obligations. Our increasing collaboration with NESO and Distribution Network Operators is reflected in our business plans and is essential to delivering a system that is secure, resilient, and affordable for consumers.

We agree that applications under CAM should not be made unilaterally, as this helps avoid unnecessary friction between networks. We also support, in principle, the introduction of an Authority trigger, but would welcome further detail on how it would operate in practice. In particular, we would like to understand how consultation with NESO and affected networks would be handled, and how consumer value would be assessed to avoid unintended consequences.

Ofgem should maintain its current position at Final Determination.

OVQ15. Do you agree with our proposed design of the NZARD UIOLI?s

Left intentionally blank.

OVQ16. Do you agree with our proposed design of the NZASP re-opener?

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OVQ17. Do you agree with our design proposal for the resilience re-opener?

We do not agree with the current design proposal for the resilience reopener to be solely Authority-triggered, however we do agree with the need for a re-opener covering all aspects of network resilience.

The increased focus on critical national infrastructure (CNI), commonly referred to as sensitive demand, may lead to increased requirements for resilience at the sites feeding CNI. As such, we welcome the acknowledgement that not all aspects of evolving network resilience mitigations can be easily scoped and submitted as part of a 5-yearly regulatory price control cycle and we agree with the need for a re-opener covering all aspects of network resilience.

We do not, however, agree that the reopener should be solely Authority-triggered. Our response as a TO could make more economical sense in a different timescale to that of the authority trigger when considered alongside our other investments. Additionally, our view is that Ofgem should include a TO trigger to allow us to respond to wider sector engagement, reflecting its diverse potential use (for example to use the trigger in response to requirements identified through the ENA or established industry groups such as the ERG, noting that this is applicable to ET, GT and GD).

At Final Determination Ofgem should include a TO trigger for the resilience reopener, which should continue to cover all aspects of network resilience.

OVQ18. Do you agree with our proposed approach to RPEs?

We agree with Ofgem's proposal to apply RPEs to labour, materials and plant & equipment. However, we disagree with the following elements of Ofgem's proposed approach to RPEs:

- Ofgem proposes to reject our recommendation to use two indices (namely the BEAMA Large Power transformers (BLT) and BEAMA Industrial electronics cost (BIE)) to capture RPEs for materials. This is an error as Ofgem's approach can be expected to misalign with movements in our actual input prices, resulting in arbitrary underfunding or overfunding during RIIO-T3. **Ofgem's FD should incorporate our proposed indices, which better align with our RIIO-T3 expected spend.**
- Ofgem proposes to exclude contractor labour from expenditure category weightings. This is an error as it will underfund the licensees. **For the FD, Ofgem should include contractor labour in its calculation of category weightings.**
- Ofgem proposes to reject our proposal to apply dynamic weightings to calculate RPEs. Rejecting this mechanism will expose consumers and NGET to material RPE risk which we cannot control, driven by the uncertainty in the scale of pipeline spend that will ultimately be delivered in RIIO-T3. This uncertainty is necessitating a range of UMs being introduced by Ofgem elsewhere in the price control package – so there is no reason RPE weightings should be considered fixed either. **Ofgem's FD should incorporate dynamic weightings on indices to correct for this and ensure RPE allowances deliver the intended outcome to cover efficient expenditure.**

Ofgem has also invited views on whether RPEs should be applied to Uncertainty Mechanisms. **To ensure licensees are funded for efficient costs, RPE allowances should be applied to any cost allowance where input prices might diverge from CPIH. We explain below our view of the UMs to which RPEs should be applied and why Ofgem should introduce project-specific RPEs ("Price Adjustment Mechanisms") for large projects.**

We note that while the indices and mechanisms described above are necessary, on their own they are not sufficient to mitigate all input price risk that we are exposed to. Our input prices may still diverge from these indices even if costs are efficiently incurred. We have assessed that there may be scenarios where Ofgem's RPE indices do not closely match our input price movements. There is risk of low-probability, high-consequence scenarios where our input prices could diverge from the indices leading to effects in terms of totex overspends and RoRE impact that would be significant. Therefore, the expected outturn of this risk should be funded through risk and contingency; we discuss this in more detail in ETQ50. In addition, the risk should be compensated through increasing the allowed cost of capital; we discuss this in FQ17.

Labour indices

The impact of Ofgem's DD proposal to add the BCIS 4/CE/EL/01 Electrical engineering labour index is implicitly to place more weight on specialist labour roles [REDACTED]

[REDACTED] Therefore, we agree with Ofgem's proposal for labour indices.

Plant & Equipment indices

We agree with the indices Ofgem has proposed, which are relevant to our spend.

Materials indices

We proposed two additional indices to better reflect the expected mix of materials spend in RIIO-T3, namely BEAMA Large Power transformers (BLT) and BEAMA Industrial electronics cost (BIE).

Ofgem's proposed indices – FOCOS Resource Cost Index of Infrastructure; and 4/CE/EL/02 Electrical Engineering Materials – are much broader in the industries they relate to. In contrast, our proposed BLT and BIE indices are more specific and directly relevant to our industry and the input costs we are actually incurring in RIIO-T3. [REDACTED]

[REDACTED] These areas of spend are closely related to industrial electronics

and transformers and less closely related to infrastructure materials and electrical engineering materials. Further, the shift in our spend from RIIO-T2 to RIIO-T3 towards more network build means these indices are more relevant in RIIO-T3 than in RIIO-T2.

For example, in our RIIO-T3 Business Plan submission, we looked at price movements for the major product categories that we purchase directly from when the RIIO-T2 framework price was set in 2020 to September 2024. We saw some significant price increases in this period that were not reflected in Ofgem's indices [REDACTED]

[REDACTED]
[REDACTED] Given this historic performance, we believe that the BIE index better tracks some elements cost that we expect to be more relevant for RIIO-T3 than RIIO-T2.

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]. Whilst the weight Ofgem will place on project specific vs generic RPEs is not yet clear, there is a significant risk that Ofgem's proposed weighting on transformer spend is too low so a better match to our RIIO-T3 spend would be achieved by placing weight on the BLT index.

In our RIIO-T3 business plan, we evidenced that neither index is influenceable by licensees due to NG being only a small part of the large global market for common equipment items.

Overall, the evidence is compelling that Ofgem should include these indices in RIIO-T3.

Expenditure categories weightings

We do not agree with Ofgem's calculation of expenditure category weightings because it excludes contractor labour. On discussion with Ofgem, we understand that its reason to exclude contractor labour is that it considers licensees can adopt a procurement and contracting approach whereby RPE risk is borne by contractors and not by NGET.

However, contractors will be faced with the same input price movements and market dynamics which NGET faces when delivering work in-house. Whether explicitly within individual contracts or over time, contractors will aim to pass through these cost risks – particularly in a highly squeezed supply chain environment, when contractors have little incentive to bear risk unnecessarily. This is outside the control of networks, so RPE allowances are still required to ensure efficient costs are funded.

[REDACTED]
[REDACTED] These indexation clauses typically apply one or more indices to each area of the contract spend, including labour. This demonstrates that the market standard is for contractors to pass through input price risks. Ofgem is therefore wrong to assume that TOs can simply choose a procurement approach that means we leave these risks sitting with contractors. If the market would accept that risk, we would have already been doing so across all our contractors.

Even contracts which do not include an indexation clause should nevertheless be included in the calculation of RPE expenditure category weightings. When notionally 'fixed price' contracts are re-negotiated over time, any RPE impacts will be baked in as new contract prices are struck. In addition, market prices which notionally do not have any indexation may still bake in forward looking expectations of RPE effects, and/or compensation for risk.

Finally, it is inconsistent for Ofgem to exclude contractor labour from the RPE weightings calculation, given it already includes other contractor costs (such as materials) elsewhere in the weightings.

Dynamic weightings on expenditure categories & indices

In our RIIO-T3 Business Plan and in subsequent discussions with Ofgem, we have explained why a 'true-up' mechanism should be applied in RIIO-T3, whereby the weightings applied to expenditure categories and indices are updated dynamically through the period. Ofgem has rejected this proposal. However, the dynamic weightings mechanism is needed to avoid arbitrary under-funding (or over-funding) of efficient costs, to protect both customers and TOs.

This is particularly important in RIIO-T3, where a large proportion of spend is uncertain. Within any 5-year price control, the mix of project types that we need to deliver could change considerably. But in RIIO-T3 in particular, the scope for the mix of projects to change is much greater than in previous price controls because a far greater share (c.67%) of our RIIO-T3 Business Plan is in pipeline.

For example, this could lead to increasing share of materials spend and increasing share of specialist labour in our overall cost base. These potential changes imply dynamic weightings on expenditure categories is necessary, to ensure that Ofgem allows input price inflation that reflects the actual pattern of spend and avoids arbitrary outcomes. Ofgem already indexes RPE allowances on an annual basis and requires us to report on our spend - so in practice, there is no material increase in complexity or regulatory burden arising from our proposal.

In addition, the weightings on indices may need to change throughout the price control. For example, we expect more spend to upgrade the network in RIIO-T3 which means the BLT and BIE indices above should be relevant, but this may change if our pipeline spend is delayed e.g. as a result of external changes such as a change in Government policy or NESO system planning assumptions. Therefore, the mix of spend within a price control period may change which changes the balance of which indices are more or less relevant to TO costs. Were this to occur, a dynamic weighting mechanism would provide a way for an index to be up or downweighted if it became less relevant than its peers.

Further, there is no meaningful way that we can shift the structure of our spend on any given project (a transformer cannot be substituted for more specialist labour, for example). Therefore, Ofgem should have no concern about risk of perverse or unintended incentives from introducing dynamic weightings on expenditure categories and indices (and, for example, Ofgem already uses company-specific cost structures to establish the weightings proposed in the DD without any concern regarding perverse incentives).

Overall, the evidence supports a mechanism that updates the weightings on expenditure categories and indices through RIIO-T3 to protect networks and avoid arbitrary gains and losses for consumers.

Project-specific RPEs (“Price Adjustment Mechanisms”) for large projects

There should be project-specific RPEs for projects with significant spend. In RIIO-T2 project-specific RPE allowances have been applied for all re-openers to date. Therefore, we propose for RIIO-T3 that projects with total spend greater than the load-related reopener threshold – both baseline and pipeline - should have project-specific RPEs to align with the broader re-opener process.

Application of RPEs to UMs

Approximately 2/3 of our RIIO-T3 plan is in pipeline, and the majority of this spend relates to multi-year projects. In principle, RPEs should apply for any UMs where the spend lasts multiple years or where spend is decided for a future year. We also note that pipeline spend easily meets Ofgem’s own materiality thresholds for providing RPE allowances (i.e. cost categories that constitute at least 10% of totex).

Therefore, RPEs should apply to:

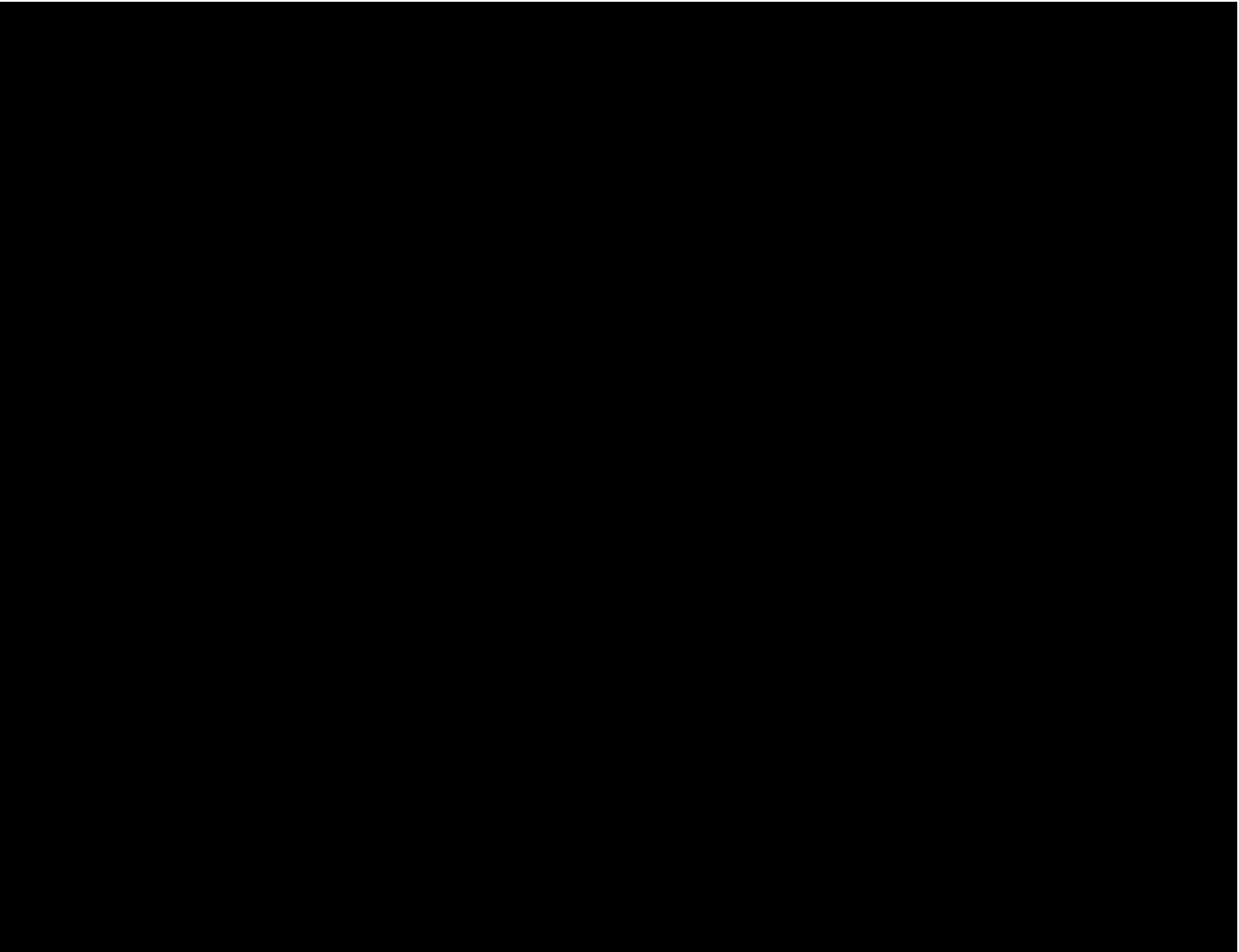
- All volume drivers, PCDs and UIOLI allowances where the UM sets the level of spend for a future year.
- All re-openers for multi-year projects or projects where allowances are being determined for a future year.

In contrast RPEs should not apply to:

- UMs for projects that only last 1 year where costs are agreed and incurred in the same year.
- Passthrough costs as the passthrough allowance already funds any changes in cost.

We note that our proposed indirects scalar (ETQ58 & ETQ59) and proposal for dynamic weightings should mean that any RPEs associated with indirects allowed through UMs are also suitably captured by the UM design (percentage of capex) without RPE adjustments being applied directly. However, if Ofgem rejects these proposals, it should still ensure its FD approach suitably allows for RPE adjustments for UM indirects.

We have categorized the 25 UMs outlined in Ofgem’s DD docs into these groups, but Ofgem’s BPFM does not seem to be applying RPEs consistently across them. We have identified eight UMs as warranting RPEs where Ofgem is not currently applying them. The values below are indicative based on our understanding of DD.



Where possible these indicative values are from NGET's BPDT. Those marked by an asterisk use Ofgem's BPFM as no BPDT values were available. Those marked "unknown" are where neither BPDT nor BPFM values were available. Some UMs are "N/A" because it is not possible to know the value ahead of time. Ofgem outlines in its DD docs that NESO separation costs are expected to last only into 2026 and have a retrospective re-opener, so no RPEs needed. If costs last longer than expected, re-opener may become multi-year (and RPEs should be applied).

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

We do not agree with the approach proposed for ongoing efficiency (OE). In summary, Ofgem's approach is in error for the following reasons, detailed further in this response.

- The quantitative analysis of benchmark EU KLEMS data undertaken by Grant Thornton (GTh), which underpins Ofgem's decision, contains errors and unjustified methodological choices which substantially distort the range – in particular biasing the top end of the GTh range upward.
- Ofgem relies on flawed and incorrect qualitative reasoning to inform its judgement about where to place the point estimate for OE.

Across both quantitative and qualitative assessments, the most significant error is that Ofgem substantially downplays the overwhelming evidence of a sustained and ongoing productivity slump in the UK since the Global Financial Crisis (GFC). As explained in the Frontier Economics (**Frontier**) report submitted alongside our business plan² a structural break since 2010 is:

- clearly evident in the EU KLEMS data which is available up to 2019; and
- runs beyond 2019 up to the present day, as evidenced in commentary and analysis by national institutions (e.g. Bank of England, OBR, ONS, The UK Productivity Commission), consultancies (e.g. McKinsey) and academia (e.g. LSE, and survey evidence published in International Journal of the Economics of Business).

Ofgem's allowance for OE should be conditioned on what is now 15 years of data and evidence, and widespread consensus regarding the UK's slower productivity performance since the GFC. There is no evidence suggesting that a reversion to the level of productivity achieved prior to the GFC is remotely likely during the T3 period. This means Ofgem must place more weight on the evidence of achieved productivity since the GFC, which is more reflective of expected levels that might be achieved in RIIO-T3. Like any other totex item, the OE allowance must be set at a level which is based on evidence, not speculation, in order to provide confidence that it is achievable. Failure to do so on such a material parameter risks undermining deliverability of the package as a whole.

Ofgem must therefore apply an ongoing efficiency allowance no greater than the 0.7% proposed and evidenced in our business plan submission.

Ofgem also says it is still considering whether to apply ongoing efficiency to UMs in "certain cases"³. While this is vague, our assumption is that Ofgem's statement refers to a continuation of the approach at RIIO-2, where OE is applied to mechanistic PCDs. We agree with this RIIO-2 approach. However, if Ofgem is considering a change in its regulatory policy to also apply OE to other UMs, this has the potential to be highly material.

Ofgem's proposals on applying OE to UMs, if different from RIIO-2, must therefore be properly consulted on with the sector prior to the FD.

We discuss the following issues below in more detail:

- First, the errors in the quantitative analysis put forward by Grant Thornton; and
- Second, the errors in the "qualitative considerations" Ofgem has relied on.

Quantitative Assessment

We discuss three choices made by GTh / Ofgem in turn below:

- the choice of time horizon of the analysis;
- the choice of sectors used for comparison;
- the reliance on gross output and value added metrics.

Time horizon

GTh has erroneously chosen to:

- exclude specific years (namely 2008 and 2009) which were marked by low productivity growth; and

² Frontier Economics (November 2024), Ongoing Efficiency at RIIO-T3. See in particular Chapter 3, and also paragraph 59.
³ Ofgem, RIIO-3 Draft Determination, Overview Document, para 8.24.

- base the top-end of its range on data from the period 1997 – 2007, without any evidence to suggest that a reversion to the higher productivity achieved in that period is plausible in RIIO-T3.

In relation to the first point, GTh says it excluded 2008 and 2009 because they were “(1) outliers in terms of productivity growth; (2) unprecedented events in recent history that have a low likelihood of being repeated in the near future.” (GTh, page 18). However, GTh’s approach contrasts to the methodology used by CEPA at RIIO-2⁴ – even though CEPA also noted the low productivity growth in 2009. GTh does not appear to have undertaken any statistical assessment of whether these years should be considered genuine outliers. Frontier also identified a significant “bounce back” in productivity growth in 2010 which effectively balances out the 2009 downturn.⁵ It is wrong for Grant Thornton arbitrarily to exclude the ‘low productivity’ years while including the subsequent ‘high productivity’ year – particularly when these more volatile years appear to stem from the same cause (i.e. GFC).

We also note that the collapse of Lehman Brothers which precipitated the stock market crash occurred in September 2008, and it is not clear to us that 2008 should be considered an outlier or merit exclusion (neither CEPA nor Frontier had identified it as an outlier year). Finally, we note that Ofgem and its consultants in the past have been concerned with identifying complete business cycles across which productivity can be measured – GTh has not done so, but nevertheless does suggest that identifying a whole business cycle could be important. Given that, it is not clear to us whether GTh has assessed if excluding these specific years would interrupt a business cycle.

In relation to the second point, GTh has calculated estimates over three separate time periods: 1970-1996, 1997-2007 & 2010-2019. Figure 1 shows the results arising in each of the three windows – the purple shaded area shows Ofgem’s proposed DD range of 0.7% - 1.3%.

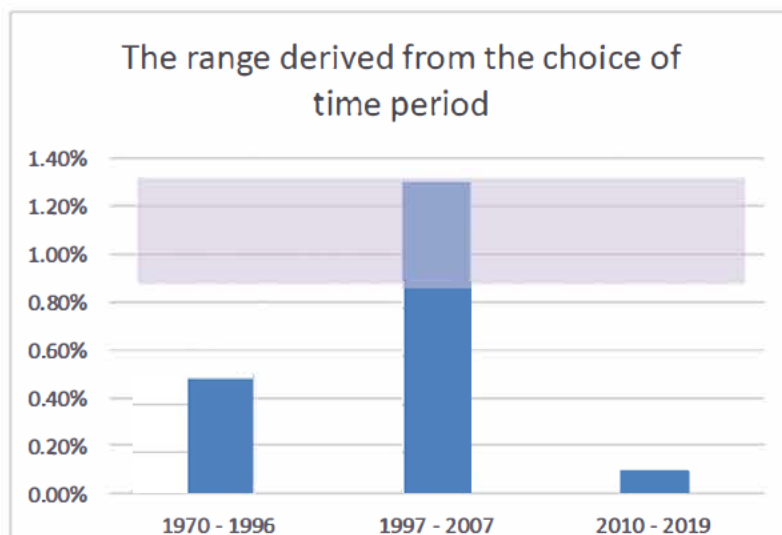


Figure 1: Demonstrates that Ofgem’s chosen range (purple shading) gives no consideration to the more recent economic context.

To determine the top of its proposed RIIO-T3 range, GTh has chosen to use the 1997-2007 time period. But the evidence (as shown in the chart) is stark that productivity growth in the period since the GFC has been materially lower. GTh does not provide any evidence that a reversion to the higher productivity achieved in the earlier period is feasible in RIIO-T3 despite the sustained lower productivity since the GFC. Instead GTh speculates that artificial intelligence might drive improvements which could have “potential parallels” with ICT improvements in the 1997 – 2007 period; and this could give Ofgem a reason to place more weight on that period (page 5). This is insufficient basis for GTh to then make the highly material methodological choice to place full weight on that period to define the top of its RIIO-T3 range. It also appears to contrast with GTh’s advice that Ofgem (rather than GTh itself) should

⁴ CEPA RIIO-GD/T2 FD report, page 8. See also CMA ELMA, paragraphs 7.68, 7.71, 7.105 – 7.110.
⁵ Frontier Economics (November 2024), Ongoing Efficiency at RIIO-T3, footnote 65.

make a decision on what weight to place on this period.⁶ It is therefore wrong for the data from 1997 – 2007 to play such a material role in determining the GTh range within which Ofgem then selects a point estimate. Any “judgement” starting from GTh’s range will inherently overweight the 1997 – 2007 period.

The evidence presented in NGET’s December 2024 BP submission, along with submissions from other networks, clearly demonstrates a decline in productivity growth since the GFC. This was shown with data from a wide range of sources, including the EU KLEMS database, but also the Office of National Statistics (ONS), the Bank of England (BoE) and the Office for Budget Responsibility (OBR) and others. The overwhelming evidence of a structural break in productivity trends since 2008 is expanded on extensively in Frontier’s report.⁷ GTh draws a false parallel between the *“debates ... around: the UK’s so called ‘productivity puzzle’... ;and Artificial Intelligence (“AI”), robotics, automation, etc., and whether, how and to what extent these developments offer opportunities for energy networks to drive down costs.”* (page 2). Contrary to GTh’s suggestion, there is hard empirical evidence demonstrating that the former is persistent and material; while there is only speculation as to whether the latter may affect productivity, and if so, by how much. These are not equivalent issues and cannot be presented as though they are equal and offsetting.

We note that in the circumstances of the RIIO-GD/T2 appeals, the CMA found that Ofgem had made no error in the weighting it had applied to the post-2008 period in RIIO-2.⁸ However, CEPA’s RIIO-2 approach was based on the full window 1997 – 2016, therefore CEPA (and Ofgem) placed weight on both pre- and post-GFC windows when determining their benchmark range. This contrasts starkly with GTh’s approach in which full weight is placed solely on the higher-productivity period to determine the top end of the range. The CMA indicated that underweighting the post-GFC period could skew Ofgem’s results upwards⁹ - and this is all the more relevant now when, four years since the RIIO-2 appeal, new data and evidence shows the continuation of the post-2008 trend as explained in Frontier’s report.

In addition, GTh’s report lacks transparency about which data set it has used to calculate its 1997 – 2007 estimates. GTh identifies that there are three different EU KLEMS datasets. EU KLEMS 1, published in 2009, covers the period 1970 – 2007; EU KLEMS 2, published in 2019, covers 1995 – 2016; and EU KLEMS 3, published in 2023, covers 1995 – 2021. GTh initially appears to state that it uses only the KLEMS 1 and KLEMS 3 data (page 4), but later states that all three different versions are *“used for the analysis undertaken in this report”* (page 13).

This is important since, as Frontier explained, there appears to have been substantial data revisions for the overlapping years in the KLEMS 2 and KLEMS 3 data set. This was demonstrated by replicating the methodology followed by CEPA to estimate productivity benchmarks at RIIO-2. CEPA at the time used the KLEMS 2 dataset, while Frontier’s update used the new KLEMS 3 data but keeping all other elements of CEPA’s methodology constant, including the time period CEPA assessed (1997 - 2016). Frontier found that the data update ***on its own*** resulted in a material reduction in all of the productivity measures that were reported by CEPA in T2 (i.e. GO and VA; TFP and partial factor measures; targeted comparator set and economy-wide comparator set). The average of these measures fell by 0.9% for CEPA’s targeted comparator set; and by 0.3% for the economy-wide set.¹⁰

This shows that data updates and revisions can be material, and GTh should therefore be transparent as to which data set it has used to underpin its estimates. The fact that material historical data revisions were made between KLEMS 2 and KLEMS 3 also calls into the question GTh’s ongoing reliance on KLEMS 1 data going back to 1970 and published over 15 years ago in 2009 (and, as GTh notes, KLEMS 1 uses a different NACE methodology meaning comparisons may not be like-for-like). However, GTh’s 1970 – 1996 estimate does not appear to have played any meaningful role in informing either GTh’s recommendations or Ofgem’s considerations, and we therefore do not comment further on it here.

We would also agree with Frontier’s conclusion that the data update alone would indicate a lower OE should be set for RIIO-3 relative to RIIO-2. The data and evidence have changed – good practice entails that Ofgem’s decision must change with it, rather than maintain use of an outdated number on the basis that this is *“regulatory precedent”*. This aspect of Frontier’s calculations also addresses Ofgem’s concern that *“regulated companies and their consultants also all have an incentive to aim down in their OE proposals and to make analytical choices which favour lower growth*

⁶ As GTh states (page 21): *“This report therefore uses average productivity estimates from the three different time periods to arrive at a plausible range but does not make a recommendation on how much weight should be given to each of the different time periods – this is something that will need to be considered by Ofgem, with reference to a wider evidence base (including the evidence set out in chapter 4) and by reference to its own expert knowledge of the energy sector and its wider price control determinations.”*

⁷ Frontier Economics (November 2024), Ongoing Efficiency at RIIO-T3. See in particular Chapter 3, and also paragraph 59.

⁸ CMA ELMA; paragraph 7.89.

⁹ CMA ELMA; paragraph 7.80.

¹⁰ Frontier Economics (November 2024), Ongoing Efficiency at RIIO-T3, Section 4.1 (para 36 – 38) and Table 2.

accounting outcomes.”¹¹ By exactly replicating CEPA’s RIIO-2 method, no such choices were made by Frontier in this part of its analysis.

More generally, we consider that Frontier also undertook a thorough independent assessment of the new evidence including the more recent years of data now available in EU KLEMS 3, and concluded that the reasonable OE estimate for RIIO-T3 lay in the range 0.1% – 0.7%. If Ofgem considers Frontier “aimed down” in any of its assumptions, Ofgem should identify the specific methodological choices Frontier made which are of concern.

In summary, by placing excessive weight on the 1997 - 2007 period that does not reflect the expected economic context for RIIO-T3, GTh over-states the level of productivity that can realistically be achieved in RIIO-T3. This skews the analysis and fails to account for the broader economic context.

Comparable Sectors

GTh has included additional sectors in its “narrow range” analysis which were not incorporated in CEPA’s RIIO-T2 approach. Specifically:

- Two new sectors that were included in CEPA’s analysis at RIIO-ED2: 1. Professional, scientific, technical, administrative and support service activities; and 2. Information and communication.
- A simple average across six sub-categories of the Manufacturing sector: 1. Chemicals; basic pharmaceutical products; 2. Computer, electronic, optical products; electrical equipment; 3. Manufacture of rubber and plastic products and other non-metallic mineral products; 4. Manufacture of machinery and equipment n.e.c.; 5. Manufacture of motor vehicles, trailers, semi-trailers and of other transport equipment; 6. Manufacture of furniture; jewellery, musical instruments, toys; repair and installation of machinery and equipment.

Crucially, it is the addition of the manufacturing sectors which sets the high point (1.3%) of the range derived in the Grant Thornton analysis. Had the sector comparators remained consistent with regulatory precedent, the data in the Grant Thornton report suggests the comparable ranges would have been -0.5% to 0.5% (T2) and 0.1% – 1.0% (ED2) as shown in Table 1 below.

T2	ED2	T3	Sector	1970-1996	1997-2007	2010-2019
✓	✓	✓	Construction	0.4%	-0.9%	-0.1%
✓	✓	✓	Wholesale & retail Trade	1.0%	0.0%	-0.3%
✓	✓	✓	Transportation & storage	1.3%	0.7%	-0.6%
✓	✓	✓	Financial & Insurance Services	-0.7%	1.2%	-1.0%
✗	✗	✓	Manufacturing	0.7%	2.6%	0.3%
✗	✓	✓	Information & Communication	1.3%	5.2%	2.9%
✗	✓	✓	Professional, scientific & technical	-0.4%	0.0%	-0.3%
✓			Average (sectors used in T2)	0.5%	0.3%	-0.5%
	✓		Average (sectors used in ED2)	0.5%	1.0%	0.1%
		✓	Average (GTh, T3)	0.5%	1.3%	0.1%

Table 1: Extract of data from Grant Thornton report, with averages calculated in line with regulatory precedent.

Frontier’s analysis incorporated all the sectors used by CEPA/Ofgem in RIIO-GD/T2 and ED2. In addition, Frontier also included two sub-sectors within manufacturing:

- Manufacturing: machinery and equipment n.e.c. – which GTh also proposes to include; and

¹¹ Ofgem, RIIO-3 Draft Determination, Overview Document, para 8.31.

- Manufacturing: Electrical equipment (C27). GTh appears to have missed this sector from its list, which should be corrected for the Final Determination.

The difference between Frontier and GTh methods arises because GTh has included a number of manufacturing sub-sectors which do not appear to be relevant benchmarks, specifically:

- ‘Chemicals and basic pharmaceutical products’ – manufacture of these products is not relevant to NGET’s activities.
- ‘Computer, electronic, optical products; electrical equipment’ – we consider the inclusion of this sector will double count with the inclusion of ‘Information and communication’ and ‘Manufacture of machinery and equipment n.e.c.’ Use of those other sectors is preferable since this code includes ‘optical products’ which are also clearly not relevant for NGET’s activities.
- ‘Manufacture of rubber and plastic products and other non-metallic mineral products’ – manufacture of these products is not relevant to NGET’s activities.
- ‘Manufacture of motor vehicles, trailers, semi-trailers and other transport equipment’ – it is unnecessary to include this given that the ‘Transportation and storage’ and ‘Wholesale and retail trade; repair of motor vehicles and motorcycles’ sectors are already present in GTh’s comparator set, meaning it effectively double counts similar types of activity.
- ‘Manufacture of furniture; jewellery, musical instruments, toys; repair and installation of machinery and equipment’ – the majority of these items are clearly irrelevant to NGET, and this category also likely double counts similar activities to the sub-sector ‘Manufacturing: machinery and equipment n.e.c.’.

GTh also ignores economy-wide measures, which CEPA had previously used and which was also recommended by Frontier. GTh states that using the economy-wide sample *“would result in double-counting of some sectors, whilst adding in less relevant sectors (albeit with lower weight), in a way that reduces transparency, does not seem to have a clear justification and may be considered arbitrary.”* (page 17). These concerns had not previously affected Ofgem or CEPA’s approach and we note that (as outlined by Frontier) use of the economy-wide set also has upsides, including reflecting wider UK economic conditions; and mitigating the effect of any volatility arising from selecting only a subset of industries. The economy-wide set provides a broad benchmark that reflects general improvements in technology, processes, and efficiencies across the economy.

Gross Output and Value Added metrics

GTh has chosen to rely only on the Gross Output measure and has not placed any weight on Value Added.

Both are valid measures of productivity and, as Frontier explains, it is therefore sensible (and consistent with regulatory practice) to incorporate both measures. Frontier proposes a balanced approach which gives equal weight to both GO and VA measures in defining the range (i.e. take an average across the two); but to acknowledge the implications of this approach when considering where to ‘aim’ within the range. This is because VA measures cannot be applied in principle to the totality of totex, they only apply to a subset of inputs.

Qualitative Factors

Ofgem’s Draft Determinations set out a range of “qualitative factors” which Ofgem has relied on in reaching its decision.

Regulators in the past have generally relied on the EU KLEMS database as their primary source of information and a key determinant in their OE decisions. This was for good reason – EU KLEMS was and remains overwhelmingly the best source of data and evidence on productivity that has been achieved across different sectors of the economy. Without reason, Ofgem has now downgraded its reliance on this to *“a useful source of information on productivity trends in the UK”*.¹² Good regulatory practice requires decisions to be based on evidence and we see no reason why Ofgem should now arbitrarily place less weight on what has always in the past been the key evidence source.

We also note that the way Ofgem frames its decision is likely to distort its exercise of judgement. Ofgem refers repeatedly to the notion that the OE parameter is an “incentive” or a “target”, which it is not. Ofgem does not, for example, describe its RPE allowance in these terms or suggest that RPE allowances need to be “stretching” – despite

¹² Ofgem, RIIO-3 Draft Determination, Overview Document, para 8.33.

the fact that RPEs are structurally equivalent to OE (i.e. both reflect external drivers of expected costs, rather than elements within the control of the companies). Further, companies' incentives to find efficiencies under RIIO are dictated by TIM and other elements of the framework - to put this another way, under the RIIO structures NGET would have the same incentive to achieve productivity improvements if the OE were revised to our proposed 0.7% (or any other number), as we do with Ofgem's proposal of 1%.

The main qualitative factors relied on by Ofgem are listed in its paragraph 8.33. We respond to each in turn below. In summary, our view is that reference to these vague and undefined qualitative factors is an entirely inadequate basis to downplay the overwhelming evidence that there is a long and sustained productivity slowdown in the UK; and there is no reason to believe that will sharply reverse in the near future.

- **Embodied and disembodied technical change.** Consultants in past price controls have debated whether this effect meaningfully exists. No consultant or regulator to our knowledge has been able to reliably estimate the size of this possible effect and therefore how much it might distort the EU KLEMS estimates (for which it might apply, in principle, only to GO in any case).¹³ We see no reason for this speculative qualitative factor to play any meaningful role in informing the choice of OE point estimate within the range of evidence.
- **Value added.** Should Ofgem continue to rely on this as a qualitative factor, Ofgem should explain which VA estimates are informing its judgement; and how much weight is being placed on them. We note that VA can in principle only be applied to a sub-set of totex and this should be acknowledged in Ofgem's qualitative assessment of how much weight to place on VA measures.
- **Company IT&T spend.** NGET has already built in efficiencies arising from our proposed IT&T spend into our requested allowances, amounting to £36m of savings. It is wrong for Ofgem to double count this efficiency benefit or to speculate without evidence as to whether or how it could be expected to deliver higher savings.
- **Past innovation funding.** Ofgem cites RIIO-2 innovation funding to justify increasing its OE allowance. This same logic underpinned Ofgem's so-called "innovation uplift" applied to OE in RIIO-2, which was overturned on appeal to the CMA. For all the same reasons that Ofgem's approach was wrong in RIIO-2, it remains wrong to rely on this reasoning now – even in a qualitative way. For example, we cannot see any basis for Ofgem's assertion that past innovation spend means we can be expected to be more productive than other industries. It is also wholly unsatisfactory and speculative for Ofgem to state that *"we are not currently able to prescribe a quantified value on the efficiencies we expect to be achieved from previous innovation funding."* Finally, Ofgem points to specific *"innovative new technologies"* around leakage which relate only to the GD sector and cannot be relied on to inform judgements for NGET.
- **Time period.** Like with Value Added, there is no reason for this to be used as a qualitative factor. Frontier Economics has shown how it can be built in quantitatively to determine the range. Ofgem should follow this approach. Ofgem also says that its EU KLEMS analysis *"includes the period of slower UK productivity growth since 2009"* – but as explained above, this period is not included at all in determining GTh's upper bound of 1.3%. If anything, this qualitative factor should support a decision to aim down rather than aiming up as Ofgem has done.
- **Protection afforded by regulation.** Ofgem states that *"We also consider that regulated network companies are not fully impacted by wider productivity slowdowns, given the predictability that the price control frameworks provide over future revenues and returns compared to the companies operating in competitive markets."* This is entirely speculative and irrational. We do not see energy networks as somehow insulated from macro-economic trends in the real economy. The CMA also rejected this rationale when Ofgem proposed it in RIIO-T2.¹⁴
- **Recent regulatory precedent.** Ofgem appears to substantially over-rely on recent regulatory precedent. As noted above and explained in the Frontier report, Ofgem's RIIO-2 approach was based on data in EU KLEMS 2 which has since been substantially revised downwards in EU KLEMS 3; and there is now more data demonstrating the sustained post-GFC productivity slowdown. Regulators in the past may have assessed that a return to pre-GFC productivity levels might be feasible – but that view is now increasingly lacking any credibility or evidential basis. Ultimately, regulatory best-practice dictates that if the evidence underpinning a prior judgement changes, the regulator's approach should change with it, rather than arbitrarily sticking with a permanently fixed value of 1.0%. We also note that Ofgem has failed to mention its 'core' RIIO-T2/GD2 OE allowance was differentiated, with a figure of 0.95% for capex and 1.05% for opex¹⁵ (and similarly, in RIIO-1, the values were 0.7% for capex and 1.0% for opex¹⁶).

¹³ Frontier Economics (November 2024), Ongoing Efficiency at RIIO-T3, para 102 – 104.

¹⁴ CMA ELMA; paragraph 7.439 – 7.441.

¹⁵ (Ofgem) RIIO-2 Final Determinations - Core Document, 2020; paragraphs 5.20 and A3.15.

¹⁶ Frontier Economics (November 2024), Ongoing Efficiency at RIIO-T3, Figure 5.

- Company submissions.** It is fundamentally incorrect for Ofgem to use the highest network proposal (i.e. NGET's 0.7%) to set the lower end of its own range. Ofgem must explain and justify why it proposes to rely only on one and not all the company proposals. Ofgem's dismissal of company submissions on the grounds that they are "*not sufficiently challenging*" is a misnomer – as explained above, the OE parameter is not a target under the control of the companies. It is also incorrect for Ofgem to state that NGET's approach "*places weight only on quantitative factors, with little consideration given to qualitative evidence.*" In fact, NGET proposed the highest point of the range identified in EU KLEMS, recognising both the regulatory precedent to aim up within the range and the other qualitative factors that Ofgem perceives to be important. NGET's 0.7% business plan number is at the highest end of any reasonable interpretation of the core EU KLEMS evidence, and cannot therefore be used to set the bottom end of Ofgem's range.
- Independent forecasts.** Ofgem does not state which forecasts it relies on or what they say. Frontier provided a number of forecasts indicating that broad expectations are for the post-GFC productivity slump to continue. GTh refers to Bank of England and OBR forecasts, but appears to place most weight on the OBR projection, without providing any reason for this. In relation to the OBR figures identified by GTh, it quotes the OBR's March 2025 Economic and Fiscal Outlook TFP projection and states "*According to this forecast, average TFP growth over the first four years of the next control period will be 0.925%.*" Based on the OBR's published spreadsheets, we believe this should be 0.908%.¹⁷ GTh then goes on to speculate that "*If productivity growth continues the same trend beyond 2029, then this would imply annual average productivity growth over the 5 years of the control period above 1.0%.*" – however, to reach this average we believe GTh would need to assume TFP growth of 1.3% in 2030, which is materially above the OBR's 2029 forecast of 1.1%. In any case, this is not an OBR projection. GTh does not mention the substantial downward revisions to outturn 2024 labour productivity described in the OBR's March EFO as a result of ONS data revisions; nor the general OBR commentary about challenges for productivity and the uncertainty in its forecasts. The OBR's Chart 2.7 (below) show the revisions in its trend growth for labour productivity between its October 2024 and March 2025 forecasts; while Box 2.1 Chart A shows the uncertainty around this projection is skewed to the downside (we note these are labour productivity rather than TFP measures). Frontier highlighted evidence of over-optimistic productivity projections by the OBR,¹⁸ and as the OBR itself noted in March: "*Successive past forecasts for trend productivity have proven to be too optimistic as productivity growth has continued to disappoint.*"

Figure 2: OBR March 2025 EFO: Chart 2.7

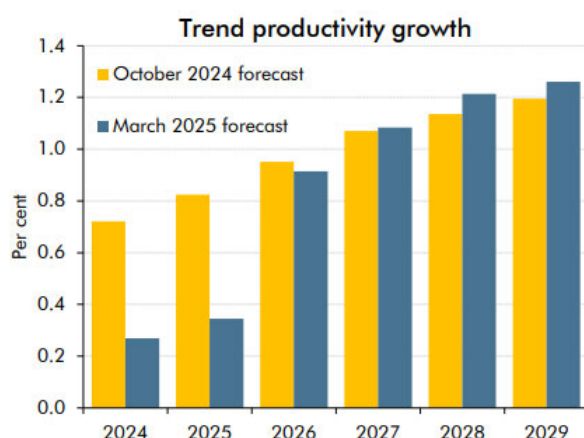
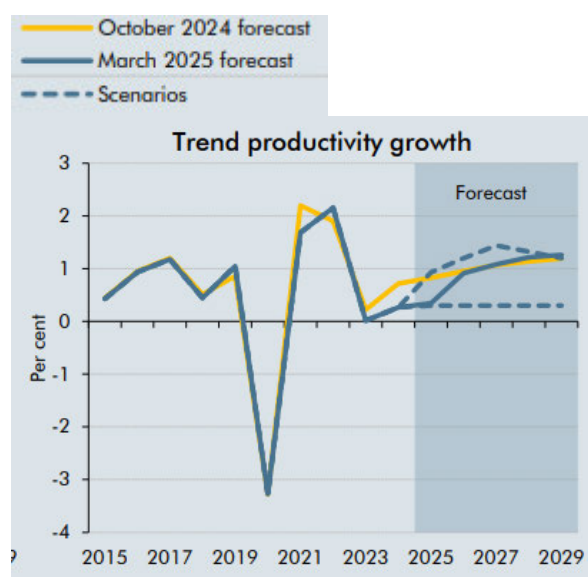


Figure 3: Box 2.1 Chart A.



¹⁷ <https://obr.uk/efo/economic-and-fiscal-outlook-march-2025/> - see charts and tables: Chapter 2, tab C2.4.
¹⁸ Frontier Economics (November 2024), Ongoing Efficiency at RIIO-T3, para 78.

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

We agree with Ofgem's position on the level of funding provided for Network Innovation Allowance (NIA), however we disagree with the proposed disallowance of SF6-related innovation. A disallowance of all SF6-related innovation overlooks the varied and essential work still required to mitigate environmental impacts, develop safe and cost-effective management approaches, and transition from legacy assets.

Overall NIA Funding

We agree with Ofgem's position on the level of funding provided for Network Innovation Allowance (NIA) in the Draft Determination. Overall, this level of funding allows us to deliver the majority of the plan we set out in our T3 innovation annex, except for in the specific areas where Ofgem have proposed disallowances. It will enable us to continue to scale and grow our innovation capabilities, to deliver more savings for the UK consumer and to deliver and deploy innovation that builds the future network, accelerates customer connections, enhances sustainability and improves resilience.

SF6 Disallowance

We disagree with the proposed disallowance of SF6-related innovation. While reducing SF6 emissions remains a key driver for us, the scope of work extends beyond leak prevention and reflects the ongoing strategic need to safely manage existing SF6 assets throughout their remaining life. SF6 equipment will remain on the network for some time due to its wide deployment across GIS and AIS substations (e.g. SF6 circuit breakers etc.) and there is consequently material consumer benefit providing funding to support its management. An example from T2 includes rawwater low melting-point allow leak seal for small-bore pipework, which has moved into business-as-usual during T2 and has reduced emissions by an estimated 425kg. It is therefore critical that NIA funding remains available to support:

- Development of non-commercialised technologies (e.g. existing graphene or Rawwater sealing innovation projects)
- Validation of new techniques (e.g. drone or acoustic leak detection)
- Assessment of emerging risks (e.g. gas degradation in alternatives like C4F7N)
- Academic and SME partnerships to convert research into practical tools.

We note that, elsewhere in the Draft Determination, Ofgem proposes [REDACTED] of funding for an SF6 intervention plan that includes retrofill projects. Our innovation proposals are integral to an SF6 lifecycle asset management approach that addresses residual SF6 leakage risks and better understands the lifecycle and environmental impacts of retrofill.

Given the maturity of non-SF6 technologies, we believe that NGET should be adopting non-SF6 insulating and interrupting gas (IIG) systems – primarily C4F7N admixtures with natural origin gases – for some new GIS installations, and potentially for AIS circuit breakers. Past innovation funding has enabled the successful development and deployment of these alternatives, helping to reduce SF6 use and emissions.

While we have moved beyond basic research into C4F7N admixtures, innovation is still needed to manage these systems through their early operational stages, where failure risk is higher. One promising area is non-invasive condition assessment using optical methods, with a T2 project already exploring gas composition diagnostics. As per the Innovation Annex included alongside our T3 business plan, we are considering advancing this through quantum cascade laser (QCL) technology, aiming to raise it to a medium TRL level and ready for suppliers to take forward towards commercial deployment.

At Final Determination Ofgem should provide NIA funding for SF6-related innovation, as part of an overall approach of assessing NIA proposals based on merit, consumer benefit and emissions impact, not solely by technology type.

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

Left intentionally blank.

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?

We agree with Ofgem's position that £2.5m of NIA funding across T3 should be used to provide enhanced advisory services for innovators at the early stages of innovation deployment.

These proposed services would be useful to offer innovators a central service for advice and training. It would act as a useful one-to-many advice service for innovators to understand the energy innovation landscape, the strategies and focus areas for network innovation and how to engage with innovation and networks.

Through T1 and T2, we have worked across networks, and with the Energy Innovation Centre (EIC), Energy Networks Association (ENA) and other organisations to improve support for innovators. 56% of our innovation projects, for example, are in collaboration with Small and Medium Enterprises (SMEs) who have successfully engaged with us. As of today, we continue to work with the EIC and networks to develop improved advice and support for innovators through the EIC lead innovator action plan. We believe networks will need to play a key role in the design of this service, to ensure that the advice and training provided allows innovators to provide high quality ideas that are aligned to areas requiring network innovation.

We welcome Ofgem's proposal to review the effectiveness of the enhanced advisory services within the first two years of setting up, to ensure the services are providing the required benefits and to ensure consumer value for money. We would like to see clear KPIs set out for the enhanced advisory services to ensure that:

- There is a notable increase in the number of new start-ups/SMEs from within and outside the energy industry proposing high quality innovations to networks
- There is a significant improvement in the quality, relevance and alignment with T3 plans of ideas coming from the EIC
- There is tracking of the success/conversion rate from ideas to projects started and/or deployed.

We believe the introduction of enhanced advisory services could help improve the quality of ideas coming from suppliers, streamline engagement with networks and ultimately help support deployment of innovation.

Ofgem should maintain its current position at Final Determination.

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

We agree with the need to enhance oversight and reporting of the NIA, subject to any new requirements remaining pragmatic and proportionate and with a review of existing reporting being undertaken to streamline, align or remove existing or subsequently unnecessary/outdated reporting.

We support Ofgem's proposal to strengthen benefits reporting for NIA projects. As outlined in our T3 Innovation Annex, we have already begun introducing this type of reporting for selected innovation projects and are committed to scaling it up across a wider set. Our 24/25 Innovation Annual Summary includes case studies that demonstrate the real-world impact of deployed innovations – an approach also encouraged in this consultation, which we fully support.

We encourage Ofgem to adopt a benefits framework that captures both quantifiable impacts (e.g. consumer savings) and broader outcomes (e.g. environmental and societal value). These qualitative benefits, though harder to measure, are essential to understanding innovation's full value.

Looking ahead to T3, we are taking a more strategic approach to benefits reporting, with a focus on deployment scale, speed of rollout, fast-follow replication, and the cumulative impact of innovation in addressing key challenges such as decarbonisation and capacity growth. To support this, we are implementing a new innovation management platform and innovation deployment headcount that will enable improved tracking and reporting of benefits both within NGET and across the wider National Grid Group.

In parallel, we are collaborating with the ENA and other networks to enhance the existing IMF reporting tool ahead of T3. We welcome the opportunity to engage further with Ofgem, either through working groups or future consultations, to shape consistent and meaningful approaches to benefits reporting.

We urge that any additional oversight is introduced with careful consideration of existing requirements. There is already a substantial suite of innovation documentation in place, including progress and completion reports, annual summaries, the IMF, PSTs, and PEAs. If further reporting is to be introduced, we recommend a comprehensive review of current obligations to identify areas that can be streamlined or removed, ensuring new requirements replace and improve upon what already exists rather than simply adding to it. Crucially, we must avoid a situation where additional reporting stifles innovation or deters suppliers, startups and academics from collaborating with us and undermining the very innovation the NIA and SIF are designed to promote. To ensure efficiency and proportionality, we also suggest that annual NIA audits focus on a representative sample of projects rather than all.

Ofgem should maintain its current position at Final Determination to strengthen innovation oversight and benefits reporting. If further reporting is to be introduced, Ofgem should initiate a comprehensive review of current obligations to identify areas that can be streamlined or removed. We look forward to working with Ofgem and other network companies to co-develop the required changes, including a streamlining of existing processes.

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

We agree with the proposal to allocate £500m to the Strategic Innovation Fund (SIF) for RIIO-3, however note that with £50m proposed for the SIF Deployment Fund this results in the same £450m SIF allocation as T2 and therefore a reduction in SIF funding when accounting for inflation.

The SIF plays a vital role in supporting cross-sector collaboration and addressing complex, whole-system challenges that may not otherwise be progressed through business-as-usual investment or through the more agile NIA mechanism.

We believe the proposed level of funding provides a strong platform for innovation that delivers tangible benefits to consumers, the system, and the wider economy. A ringfenced SIF budget of £500 million over the RIIO-3 period provides a clear signal of Ofgem's commitment to long-term innovation and gives the sector confidence to invest time and resource in collaborative innovation. It also enables strategic challenge areas to be addressed in a more targeted, scalable, and coordinated way, with the potential for material impact across the sector.

As outlined in our response to other SIF-related questions within the Draft Determination, we welcome the ongoing improvements to the scheme such as multiple application windows, flexible contribution rates, and a commitment to improved reporting and dissemination. These reforms will help ensure the fund is deployed effectively and supports a balanced innovation portfolio across different levels of technology readiness, risk, and potential benefit.

Ofgem should, at a minimum, maintain its current position at Final Determination, however Ofgem should also assess whether to further increase the proposed T3 SIF allowance to account for inflation.

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

We agree with Ofgem's proposal to introduce a Programmatic Approach to SIF, however note that Ofgem must consider the resourcing demands of associated reporting. To ensure innovation delivery remains the priority, any new reporting requirements arising from the SIF task force should wherever possible be aligned with, and build upon, existing reporting mechanisms.

We welcome the move towards longer-term SIF challenge setting, as this will provide greater clarity on areas of focus and allow networks to align innovation planning accordingly. However, it is important that the framework retains flexibility to accommodate emerging challenges and respond to shifts in the innovation landscape throughout RIIO-3. Defining clear targets for RIIO-3 will also help drive stronger accountability and ensure that SIF projects deliver against measurable system and consumer outcomes.

Networks should be fully engaged in shaping both the SIF challenges and the associated targets, and we support the proposal for network representatives to participate in the new taskforce alongside other sector experts and delivery partners. This will be critical to ensuring that innovation priorities reflect real operational challenges and opportunities for impact.

We also believe that a Programmatic Approach to SIF must complement and not constrain the flexibility of other innovation mechanisms such as the NIA. NIA should continue to enable networks to pursue innovation aligned with their innovation strategies and to NIA governance, particularly where agile development or rapid testing is required.

We also note the consultation proposes that quarterly reporting is undertaken to the SIF taskforce, and annual reporting to Ofgem. Whilst we acknowledge the taskforce and Ofgem would need to be updated, for example to ensure progress against targets, we also note that we already report on SIF projects quarterly, with outputs also presented annually already as well. We recommend aligning and refining existing quarterly and annual reporting to maximise the value of current reporting processes and avoid duplication.

Ofgem should maintain its current position at Final Determination to introduce a Programmatic Approach to SIF. We welcome the opportunity to contribute to the development of this new framework and to ensure that it supports collaborative, outcome-driven innovation across the sector.

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

We agree with Ofgem's proposal to introduce a £50m deployment fund within the overall SIF allocation.

This funding mechanism provides an additional and flexible route to support a diverse range of innovation projects, including smaller-scale initiatives that may find it challenging to develop a robust business case. It also enables more rapid deployment of longer-term, complex innovations that often depend on future price control funding.

Recognising that innovation deployment requires multiple pathways tailored to different project types, we see this fund as a valuable complement to existing mechanisms, broadening the options available to maximise outcomes for consumers.

If formalised within RIIO-3 SIF governance, we are committed to presenting clear and robust plans for projects we intend to progress through this channel, and we look forward to working closely with Ofgem to develop eligibility and assessment criteria that ensure the fund delivers effective and efficient impact.

Ofgem should maintain its current position at Final Determination.

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?

We agree that the deployment fund should be open to innovation projects regardless of whether they have been funded through NIA, NIC, or SIF. Valuable innovation can be developed and proven through multiple routes, and we support Ofgem's position to ensure that high-potential projects are not excluded from deployment funding based solely on their initial funding source.

In addition to the valuable innovation we have delivered through NIA, NIC and SIF, we acknowledge there are other routes for innovation beyond regulatory funding – including National Grid Partners and self-funded initiatives such as our deployments of LineVision Dynamic Line Rating (DLR) sensors and the UK's first SF6-free GIS substation.

Potential candidate innovation projects that have so far been funded outside of NIA, NIC and SIF funding include Sensat (digital twin geo-spatial system that improves optioneering/design speed to accelerate connections) and TS Conductor (carbon-cored conductor enabling reduced constraint costs).

This approach provides an important additional avenue to help ensure that consumers ultimately benefit from the full value of successful innovation.

Ofgem should maintain its current position at Final Determination.

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

We agree with Ofgem’s proposal to reverse the SSMD position and retain the SIF Discovery Phase. SIF Discovery plays a valuable role in assessing feasibility, use cases, and cost benefit early on, helping to de-risk later-stage funding decisions.

We recognise Ofgem’s intention to provide clearer direction on what types of innovation should be funded through NIA and SIF respectively. In that context, we believe it is important to maintain flexibility across both mechanisms, recognising that innovation does not follow a linear path and that valuable projects can emerge across a wide range of TRL levels through either NIA or SIF routes.

SIF is well suited to larger, structured, cross-sector and more strategic innovation programmes and Discovery ensures these programmes are built on strong feasibility evidence before further investment. NIA has proven highly effective in enabling both early-stage and high-TRL (demonstration) projects to transition into business-as-usual, often at pace.

We have delivered several higher TRL NIA projects that have unlocked tangible, rapid benefits for consumers. For example:

- Our SmartValve modular power flow control project (NIA_NGET0017) has unlocked over 2GW of north–south boundary transfer capacity and is projected to deliver savings by reducing constraints and deferring new infrastructure.
- The VICAP project (NIA2_NGET0009) uses AI and Beyond Visual Line of Sight drone inspections to identify tower corrosion, improving asset management and saving £630k per year.
- Our dynamic line rating (DLR) strategy, combining NIA funding, totex, and shareholder investment, has contributed to over £150m in consumer savings through constraint cost reductions, with weather-based ratings developed through NIA now offering up to 4% additional capacity.

We therefore support retaining the Discovery Phase to enable early-stage SIF activity and recommend that any future guidance retains flexibility within NIA to support innovation across TRL2-8. This dual-track approach gives networks the agility to scale innovation through the most suitable mechanism, based on the challenge, collaborators, and pace required to deliver outcomes for consumers.

Ofgem should:

- **Maintain its current position at Final Determination to reverse the SSMD position and retain the SIF Discovery Phase to enable early-stage SIF activity**
- **Retain flexibility within NIA to support innovation across TLR2-8, enabling a dual-track approach that gives networks agility to scale innovation through the most suitable mechanism.**

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

We agree with Ofgem’s proposal to retain the core aspects of the SIF for RIIO-3, however we also believe there are opportunities to strengthen SIF in relation to flexibility in partner requirements and improved challenge setting.

We agree with Ofgem’s proposal to retain the core aspects of the SIF for RIIO-3, including the recent improvements made to its structure and governance. We particularly welcome enhancements such as the introduction of multiple application windows and a longer-term approach to challenge setting. These changes support better planning and increase the agility of the innovation process.

However, we also believe that there are further opportunities to strengthen SIF in RIIO-3. In particular:

- **Partnership flexibility:** Current SIF requirements mandate cross-sector partnerships (e.g. transmission and distribution). While collaboration remains important, this requirement can limit projects that are more relevant to a single sector. We would welcome greater flexibility in partnership rules, especially at the Discovery phase, to enable short, agile feasibility work without needing to identify less relevant partners.
- **Challenge setting:** Challenge areas should better reflect the pressing issues faced by networks on behalf of consumers, such as supply chain constraints, network resilience, dynamic optimisation, and, where appropriate, extending the life of ageing infrastructure. These are critical to achieving net zero and maintaining system resilience. We also recommend that long-term challenge themes remain stable and consistent to allow networks to build coherent innovation roadmaps over time. Previously, some themes have been focused on areas requiring broader policy or market reform (e.g. hydrogen, flexibility markets), which can limit the scope for network-led innovation.

We also support Ofgem’s proposal to adopt more agile project management tools, including mechanisms to stop underperforming SIF projects. In our NIA portfolio, we use a stage-gated process and have actively stopped projects that were not delivering as expected. We believe applying a similar approach in SIF would help protect consumer value and enable more focused use of innovation funding.

At Final Determination Ofgem should build on its current position of retaining the core aspects of SIF to also further strengthen it in relation to flexibility in partner requirements and improved challenge setting.

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

We agree with Ofgem’s proposal to introduce a more flexible approach to contribution rates for SIF projects, with contributions varying according to the level of risk and uncertainty associated with a given project.

At present, SIF tends to be more geared towards supporting lower-risk, near-commercial innovations where delivery commitments are expected upfront. However, for truly novel and transformative solutions, this model can be limiting. High-risk innovation – such as early-stage systems thinking, novel materials, or untested operational approaches – often lacks clear evidence or established deployment models. We cannot credibly commit to business-as-usual adoption until these uncertainties are explored and de-risked through focused innovation activity.

Introducing differentiated contribution rates is a pragmatic way to encourage greater participation in high-risk, high-reward innovation. Lowering the required partner contributions for such projects helps de-risk investment, incentivises bold ideas, and creates space for learning, experimentation, and iteration, which are all essential components of a thriving innovation ecosystem. We particularly welcome this approach in areas where the system needs breakthroughs to unlock future value, and also see this approach better incentivising small organisations to engage in SIF projects.

Conversely, we agree that lower-risk innovation projects – particularly those close to deployment or involving established technologies – should carry higher contribution rates from participants. This ensures alignment of incentives and better value for consumers.

Networks would need to receive early sight of the assessed risk for a given project to ensure we internally sanction the required network / partner contributions for a project. This proposal would therefore benefit from a clear and open framework that would allow us to check the likely risk rating of a given project before we submit into the SIF process. This allows for effective network cost planning. Ofgem could also consider an upper cap where networks would have assurance that a contribution rate would never exceed a certain percentage. We welcome the opportunity to work with Ofgem to shape the risk assessment criteria and process.

Overall, a more nuanced contribution model will allow SIF to better support a balanced innovation portfolio, spanning both incremental improvements and more radical step-changes, ultimately enhancing the scheme’s ability to deliver long-term consumer and system benefits.

Ofgem should maintain its current position at Final Determination to introduce a more flexible approach to contribution rates for SIF projects. We will welcome the opportunity to work with Ofgem to shape the associated risk assessment criteria and process.

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

We agree with Ofgem's proposal to update the SIF eligibility criteria and assessment process.

We welcome the introduction of more outcome-focused criteria, especially those that place greater emphasis on deployment, dissemination, and long-term impact. These are areas we already prioritise internally at NGET when assessing and progressing our NIA portfolio, and we believe they are critical to ensuring innovation delivers real value for consumers.

We encourage Ofgem to work closely with networks when developing the revised assessment framework to ensure it is practical, proportionate, and aligned with the types of challenges and innovation activity required during RII0-3.

Ofgem should maintain its current position at Final Determination.

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

We agree with Ofgem's proposal to introduce a direct pathway for transformative projects to seek Ofgem's support for funding.

We recognise that, where innovations do not directly benefit networks but may benefit, for example, consumers or whole systems thinking, alignment with traditional network innovation funding routes may face challenges. A structured process to identify these opportunities and facilitate network–innovator collaboration could help unlock high-potential projects that might otherwise be missed.

We agree with Ofgem's intent to use the Programmatic Approach to identify innovation areas that would benefit from this pathway, and we welcome early engagement with the market to help shape the process. It will be important that the pathway is transparent, proportionate, and designed to avoid duplication with existing SIF and NIA mechanisms.

We support Ofgem facilitating engagement between networks and promising third-party proposals, provided that participation and funding decisions remain subject to appropriate governance and strategic alignment. To support this alignment, we would propose an option whereby these transformative ideas could be brought to the newly proposed SIF Taskforce, who could provide an additional view on value to the industry.

Ofgem should maintain its current position at Final Determination. We welcome the opportunity to collaborate with Ofgem on the design of this process and contribute to the identification and delivery of transformative innovation aligned to system needs and consumer benefit.

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

We agree that there is merit in continuing to clarify roles and responsibilities within the innovation ecosystem. This should build on existing structures and what already works well. There are already established processes and collaborative mechanisms in place that support the innovation landscape and our overall engagement and activities across these established mechanisms is broad. Any changes should enhance, not duplicate or disrupt, these current efforts.

Key factors to consider as part of further clarifying roles and responsibilities within the innovation ecosystem include:

Dissemination and knowledge sharing

Across the energy sector there are established forums for sharing developments and learning and which include innovation sharing, for example CIGRE and IET, and events such as the Energy Innovation Summit provide a strong foundation for sharing innovation across the sector. However, we see further benefit in complementing this with more targeted, issue-specific dissemination. For example, in September 2024 we hosted a two-day event focused on SF6-related innovations. This included project updates on leak sealing, retrofit alternatives, and lifecycle analysis. It was attended by ten UK transmission and distribution networks, leading manufacturers, academics, and supply chain representatives, including the Chief Technology Officers of both GE and Siemens. This event fostered strong cross-sector collaboration and it is this kind of forward-thinking approach to innovation that is enabling the fast-follow adoption of SF6 leak sealing solutions by other TOs and DNOs. We believe similar themed events could enhance knowledge transfer and accelerate innovation adoption.

Challenge setting and alignment

There are already effective mechanisms for challenge setting across networks, such as the ENA Electricity Networks Joint Innovation Strategy (JIS), which is due to be refreshed across gas and electricity for RIIO-3. In addition, ENA Basecamp helps define network-wide problem statements and foster collaborative innovation. We have used Basecamp to initiate one live project and two further developments, each aligned to key consumer benefits. These structures should continue to form the basis for challenge identification.

That said, we agree there is scope for stronger, more consistent upfront collaboration across networks on shared challenges. We are in active discussions with the other UK transmission networks to improve the way we collaborate upfront on innovation strategic goals and challenges and create coordinated efforts to address those goals and challenges. We are also in active discussions with the Energy Innovation Centre (EIC) on ways to improve innovation ecosystem design to support this.

Strengthening the innovation ecosystem

We see the innovation ecosystem as an evolving framework to better enable collaboration across and beyond the sector. To do this effectively, new ecosystem roles and responsibilities should be clarified in two layers:

- **Within sector:** Clear roles for networks, EIC, ENA, Ofgem, UKRI, Energy Systems Catapult and others - to coordinate innovation activity and funding more effectively.
- **Beyond sector:** Strengthen collaboration with other industries such as water, telecoms, and manufacturing, building on partnerships developed during RIIO-T2 via the EIC.

By clarifying responsibilities across these levels, we can reduce duplication, simplify access for new entrants, accelerate rollout into business as usual, and better leverage shared resources.

Ofgem should adopt a position based on networks continuing to work collaboratively and with the EIC and ENA – with Ofgem oversight – to further define and improve innovation ecosystems. We also believe it would be helpful to co-develop a set of proposed cross-TO innovation challenges as early candidates for this framework.

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

We agree with Ofgem's proposal to improve reporting of deployed SIF projects and lessons learned post-funding, subject to any new requirements remaining pragmatic and proportionate, and a review of existing reporting being undertaken to streamline or remove unnecessary reporting.

As set out in our response to OVQ23, we fully support strengthening innovation benefits reporting where it is proportionate and meaningful. We have already begun implementing this type of reporting across NIA projects and plan to expand this further in RIIO-3. This includes tracking deployment, cost, impact, and broader benefits such as carbon reduction and capacity improvements.

However, Ofgem must ensure that any additional reporting is introduced pragmatically, with a clear review and streamlining of existing requirements to avoid duplication and reporting burden. Reporting should build on what already works and old reporting be modified / removed to make way for new reporting, rather than adding layers of administration.

Ofgem should maintain its position at Final Determination regarding the need to improve reporting of deployed SIF projects and lessons learned post-funding at Final Determination, however Ofgem should ensure that as part of this it undertakes a clear review and streamlining of existing requirements to avoid duplication and reporting burden.

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

We agree with Ofgem’s proposed scope for the Cyber Resilience Re-opener, however we believe the proposed Re-opener window should commence on 31st July 2028 to support any Re-openers associated with the continuation of our UIOLI projects and ensure that these can continue without delay where necessary.

We agree with the scope of the Cyber Resilience Re-opener set out within the Draft Determination on the basis that it provides for Authority-triggered windows for a significant change to the cyber threat landscape, a significant change in government policy, or the emergence of new technology capable of significantly improving cyber resilience and has no materiality threshold.

However, to ensure alignment with the funding period relevant to our UIOLI investments, we believe the window should commence on 31st July 2028 to coincide with the final PCD report submissions for these projects. A July window can provide Ofgem with the detail necessary to support any Re-openers associated with the continuation of our UIOLI projects and ensure that they continue without delay where necessary.

Ofgem should maintain its current position at Final Determination regarding the scope of the Cyber Resilience Re-opener, however should change the dates of the proposed Re-opener window to commence 31st July 2028.

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

We agree with Ofgem’s position to not amend the Digitalisation licence condition. We support the continued application of the existing obligation, which is functioning effectively and provides a proportionate and effective regulatory mechanism to ensure ongoing progress on digitalisation.

The current licence conditions remain appropriate and consistent with how we have embedded digitalisation across our operations and governance. NGET continues to comply fully with this obligation. Our most recent Digitalisation Strategy and Action Plan (DSAP), submitted in March 2024 and the one that was submitted as an appendix in December 2024 RIIO-T3 submission, set out our strategic approach to digital transformation, our governance framework, and progress on initiatives such as network asset visibility, advanced analytics, and enhanced data interoperability. An appendix evidencing our compliance and ambition against the Data Best Practice principles was submitted alongside the March 2024 DSAP and the one we submitted as part of our T3 business plan, in line with licence requirements.

We note that Ofgem has reviewed these materials and acknowledged the relevance of DSAP and associated digital investments within the Draft Determinations. We are not proposing to submit further evidence on this matter.

Ofgem should maintain its current position at Final Determination.

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

We do not agree that there is yet sufficient clarity on how the DSI licence condition will function in practice, however we recognise the value of Ofgem’s proposed approach and support the goal of establishing a coordinated platform to enable strategic data sharing across the energy system.

The Draft Determination confirms that NESO is expected to act as the DSI Delivery Body, responsible for developing the DSI, setting the Trust Framework, and coordinating deployment requirements across the industry. This anticipated role implies that NESO will shape both the technical foundation and the rules of engagement for all participants.

Given this, we believe it is important to define how NESO’s dual role – as both the coordinator of the DSI and a participant in use cases – will be governed. Without clear separation of responsibilities, there is a risk of ambiguity around accountability, conflict of interest management, and the ability of other stakeholders to engage on equal terms. It is also not yet clear how industry participants will propose or participate in use cases, how access and delivery expectations will be managed, or what mechanisms will be in place to address issues if those expectations are not met for example system access planning.

To support successful implementation of the licence condition, by Final Determination Ofgem should provide:

- **A clear statement of NESO’s responsibilities as DSI coordinator, including how potential conflicts of interest will be addressed**
- **Governance expectations to ensure neutrality, transparency, and robust delivery assurance**
- **Practical guidance on how network licensees and other parties can access, engage with, and contribute to the DSI.**

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

We agree with Ofgem's proposal to introduce a Digitalisation re-opener and welcome the inclusion of the July 2028 window, however the design would be strengthened by introducing an additional window in mid-2027 to allow for an earlier submission for several of the discovery pieces of work. This is needed to avoid a loss of momentum and to ensure earlier discoveries translate into consumer benefits within the RIIO-T3.

The reopener provides a valuable mechanism to revisit funding for digital investments in discovery. The proposed timing aligns well with high-impact programmes such as Digital Substation, where the discovery phase concludes in 2028. More broadly, we welcome Ofgem's strong endorsement of our digital & data portfolio, with 98% of our proposed initiatives supported in Draft Determinations, and remain focused on ensuring these investments deliver timely consumer benefits.

However, to avoid a loss of momentum and to ensure earlier discoveries translate into consumer benefits within the RIIO-T3, we believe an additional re-opener is needed in mid-2027. A number of our digitalisation initiatives have received allowances in Draft Determination for only for their discovery phases, which are due to conclude between April 2026 and April 2027. Without an earlier re-opener, implementation funding would not be available until early 2029 (i.e. the start of the fourth year of RIIO-T3) – creating up to a 24-month gap that risks delivery delays, inefficient workarounds, and deferred outcomes for consumers.

In addition, delayed funding would impact procurement timelines, potentially placing us at the back of the supplier queue. This could lead to increased costs due to constrained supplier capacity and market inflation, which would ultimately be passed through to consumers. Early access to funding is therefore essential to secure delivery slots at optimal pricing and avoid unnecessary cost escalation.

For example, one of the most time-critical initiatives in the NGET's digitalisation portfolio is the Construction Optimisation programme, which is essential to enabling the scale and complexity of RIIO-T3 infrastructure delivery. It will deliver an integrated suite of digital tools that reduce disruption, improve delivery forecasting, and minimise cost overruns. Timely implementation of these capabilities is key to avoiding infrastructure delivery bottlenecks as workload scales. Delays in progressing from discovery to implementation would disrupt momentum and significantly limit the ability to realise benefits within RIIO-T3.

The table below summarises when capabilities are completing discovery and our proposed re-opener windows for these:

PRJ Ref	EJP	PRJ	Discovery End Date	Reopener Window
PRJ-8067	Construction Optimisation	Construction project planning and management	Apr-27	Jul-27
PRJ-8064	Construction Optimisation	Construction Materials Management	Apr-27	Jul-27
PRJ-8114	Business Fundamentals Safety and Compliance Management	Knowledge management	Oct-26	Jul-27
PRJ-8098	Operational Management	Site Comms	Apr-27	Jul-27
PRJ-8069	Digital Twin and Power Systems	Power system modelling and analysis	Apr-27	Jul-27
PRJ-8794	Operational Management	Digital substation	Apr-28	Jul-28
PRJ-8093 ¹	Construction Optimisation	Cost and estimation management	Apr-27	Jul-27
PRJ-8054 ¹⁹	Enterprise Delivery Management	Resource management	Apr-27	Jul-27

At Final Determination Ofgem should:

- Confirm the inclusion of the July 2028 re-opener as proposed
- Introduce an additional window in mid-2027 (circa July 2027) to enable timely progression of earlier-maturing discoveries
- Provide clarity on the process and criteria for accessing this window to support constructive early engagement.

¹⁹Funding for 'Cost and estimation management' and 'Resource Management' are still pending approval from Ofgem

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