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Ofgem  
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24<sup>th</sup> June 2026

Dear Faysal,

**Re: Proposed Guidance for the NARM RIIO-2 Closeout Methodology Consultation**

Thank you for the opportunity to provide a response to the above noted consultation. Northern Gas Networks (NGN) has been actively involved in workgroups and discussions relating to NARM and appreciate this opportunity to inform your decisions. We have set out our responses to the specific consultation questions in Appendix 1 and, highlight below NGN's pertinent points.

We support the objective of a transparent, consistent and evidence-based framework for assessing delivery against Baseline Network Risk Outputs (BNROs). However, we have significant concerns about the fairness, proportionality and practical deliverability of the proposed approach as applied to GD.

In particular, our concerns arise because:

- The methodology and associated reporting requirements are being finalised **after the completion of RIIO-GD2 delivery**
- There is **no opportunity to adjust delivery decisions, governance frameworks, or evidence collection retrospectively**
- The proposed approach introduces **substantial additional reporting and evidential burdens**, particularly through the detailed requirements of the RRP and supporting justification documentation (CBAs and EJPs).
- It still remains unclear between different documents the exact RIIO-2 'End Date' that can be used to claim the risk benefit, for projects that have started in RIIO-2 and competed on or after 1<sup>st</sup> April 2026. This is also inconsistent with other RIGs tables.

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the network**

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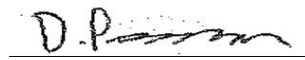
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- The introduction of a new template that is untested and requires new processes to be developed.
- It is unclear the exact requirements and submission dates for Year 5 RRP (16<sup>th</sup> October 2026) and GD2 close out (31<sup>st</sup> October 2026).

I hope these comments will be of assistance and please contact me on details provided below should you require any further information on this response.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'D. Pearson', is written over a horizontal line.

Dean Pearson (via email)

[Head of Regulation, Northern Gas Networks Ltd](#)

Mobile: 07580 215743

## **Appendix 1 – NGN response.**

### **1 Retrospective application and regulatory fairness**

#### ***1.1 Methodology introduced after the fact***

The RIGs make clear that licensees must:

- Ensure that data is “accurate, complete, and fairly presented”
- Provide detailed reconciliation across:
  - N1 project delivery
  - N2 network risk
  - N3 asset-level risk
  - C&V RIGs Tables
- Submit a structured supporting commentary explaining BNRO delivery, deferred projects, and risk changes

While these expectations are reasonable in principle, they were not fully defined when GD2 delivery decisions, governance arrangements and evidence collection approaches were established. As such networks can only provide best endeavours to ensure all data is classified correctly according to the guidance. Further clarification from Ofgem would be welcome.

#### ***1.2 Risk of penalising evidence gaps rather than performance***

The requirement to:

- Provide detailed project-level reporting (including cancelled and deferred schemes)
- Reconstruct delivery drivers and risk movements across:
  - Asset categories
  - Intervention types
  - Funding categories

This creates a risk that assessment will be driven by the completeness of retrospective evidence, rather than the risk reduction delivered.

This may disadvantage companies due to evidential gaps arising from retrospective application of the framework, rather than poor delivery performance. This risk is heightened by:

- Changes to staff and systems over the RIIO-GD2 period; and
- Challenges maintaining consistent data structures over time.

### **Recommendation**

NGN therefore recommends that Ofgem:

- Recognises that evidence structures were not designed to meet these final requirements
- Applies assessment based on best available evidence, rather than full reconstruction
- Avoids penalising companies for absence of retrospective granularity where delivery is demonstrable

### ***2. Treatment of delayed and incomplete projects***

#### ***2.1 Requirement to report all projects regardless of status***

The RIGs explicitly require:

The RIGs explicitly require “details related to all RIIO-2 schemes/projects... even if they have been cancelled or deferred”.

The RIGs also require commentary on:

- reasons for delay or cancellation
- costs associated
- updated completion dates beyond RIIO-2

While appropriate for ET and GT, this approach does not fully align with GD delivery structures, which are programme-based and asset-class driven.

Applying a blanket classification (e.g. “delayed”) at scheme level risks misrepresenting delivery where the majority of a programme (e.g. 95%) is complete, but residual elements extend beyond the period. This may also weaken the recognition of associated risk reduction.

#### **Recommendation:**

Ofgem should consider if they need to assess any outstanding roll over for GD and how this is structured within the RIGs tables as calling every scheme delayed is not appropriate.

Introduces reporting structures that distinguish between:

- Completed delivery aligned to BNRO outputs; and
- Residual or ongoing works extending beyond the period.

### ***2.2 Inconsistencies RIIO-2 End Date between guidance***

The Draft Year 5 NARM RIGs (Section 5, N3 worksheets) specify a reporting position as at 31 March 2026, whereas the consultation (Sections 3.28–3.29) refers to including projects completed up to the point of submission.

This inconsistency creates a risk of misalignment with other C&V tables already in submission which are aligned to 31 March 2026.

NGN requests explicit confirmation of:

- The cut-off date for RIIO-2 close-out; and
- How consistency across RIGs tables should be maintained.

### ***2.3 Fairness concern for delayed delivery (subject to clarity on 3.2)***

While transparency is appropriate, the current approach assesses delivery primarily by outputs realised within the period and does not clearly provide for circumstances where delivery has been efficiently reprofiled or completed shortly after period end.

- Assesses delivery based on outputs realised in-period
- Does not clearly account for:
  - efficient time-shifting of delivery
  - projects completed shortly after period end

This creates a risk that fully justified, efficient delays (e.g. planning constraints, outages, supply chain) could result in reduced ONRO, financial clawback and potential penalties.

### ***2.4 Misalignment with GD delivery model***

For GD delivery is inherently:

- programme-based
- flexible across asset categories

The RRP requires:

- **project-level breakdown and attribution (N1.3 / N1.4)**
- allocation to: intervention types, funding categories & asset categories

As a result, the proposed framework may:

- artificially constrain how delivery is interpreted
- penalise legitimate programme optimisation

## **2.5 CIUD / CIOD classification risk**

The requirement to identify projects as **Clearly Identifiable Under Delivery (CIUD)** or Over-Delivery (CIOD) in N1.3

This introduces an additional risk that delayed or reprofiled projects may be:

- disproportionately treated as under-delivery
- assessed outside the broader network-level context

### **Recommendation**

NGN therefore recommends that Ofgem:

- Introduces explicit GD-specific principles for delayed delivery, including:
  - recognition of risk delivered beyond period end (where demonstrable)
  - allowance for efficient re-profiling of works
- Clarifies:
  - treatment of delayed vs deferred vs cancelled projects at program level.
  - how CIUD will be applied for programme-level delivery models
- Ensures that efficient asset management decisions are not penalised solely because delivery falls outside the RIIO-2 period end.

## **2.6 Non-Intervention Risk changes**

The introduction of the Non-Intervention risk changes through RIIO-2 whilst appropriate to monitor and track changes is both highly complex and a manual process. As such careful consideration should be given and discussed with networks to fully understand the reasoning behind declared elements to ensure if it's appropriate or not, for them to be factored into changes within the BNRO. Examples include data true ups and target restatement at the start of RIIO-2, Ofgem should be working with networks to ensure they are not penalised based on the functionality of these worksheets not adequately accounting for these types of changes. Careful consideration should be given to ensure if NIR are both starting risk and deterioration changing (and therefore directly impacting the BNRO) or simply risk position movements (no impact on BNRO).

## **3. Burden and deliverability of reporting requirements**

### **3.1 Scale and complexity of the RRP**

The RRP requires full population of N1, N2 and N3 tables and cross-reconciliation of volumes, risk reduction, and costs, with limited GD-specific guidance.

With insufficient guidance on how this actually applies to GD at program level with practical examples. This is likely to result in best endeavours attempts by GDs resulting in inconsistent assumptions.

### **3.2 Evidence requirements exceed BAU reporting design**

The required supporting commentary significantly exceeds GD2 business-as-usual reporting and the original design of GD data structures.

### **3.3 Timeline feasibility**

The RIGs require submission by **16 October 2026** requires:

For close-out, this effectively requires companies to:

- rapid mobilisation
- interpretation of evolving guidance
- construction of new reporting processes for the additional requirements

NGN is concerned that this may not be achievable to a consistent and high-quality standard across all asset categories within the proposed timeframe. In addition, the ability for networks to populate and produce full justification packs in 2-3 months (assuming Ofgem issue the final templates and official documentation in July 2026), whilst assessment of these justification packs will take up to 18 months is disproportionate, given the significant volume of upfront work required by the networks compared with the assessment process.

### **Recommendation**

NGN therefore recommends that Ofgem:

- Applies proportionate expectations prioritising material asset categories and drivers for more detailed justification.
- Allows phased or iterative submissions to provide the initial areas for investigation to be highlighted, whilst allowing companies sufficient time to provide suitable high-quality levels of justification.
- Provides:
  - greater clarity on minimum acceptable evidence standards
  - worked examples aligned to GD delivery structures, not just ET projects.

### **3.4 Timeline and submission clarity**

The RIGs require submission by 16 October 2026, whilst the handbook states close-out is required on or before 31 October 2026. The specific requirements for each deadline should be listed explicitly.

## **4.0 Proportionality and materiality**

While the methodology includes mechanisms such as:

- network-level reporting
- aggregation in intervention summaries (N1.1)

There is, however, limited guidance on how materiality should be applied, particularly in relation to project-level reporting and the level of supporting justification expected.

Without clearer thresholds, this risks:

- significant effort being applied to immaterial variances
- reduced focus on overall consumer outcomes and network risk reduction

### **Recommendation**

Ofgem should confirm that evidence requirements are proportionate to material impact on BNRO.

## **5.0 Overall fairness of the methodology**

Taken together, the proposed methodology risks:

- unfair penalties being applied retrospectively due to methodology changes introduced after delivery
- imposes a level of evidential burden not envisaged during GD2
- may penalise efficient delivery decisions
- may favour process compliance over outcomes

Given that GD2 delivery decisions are fixed, it is essential that assessment focuses on:

- Risk reduction delivered; and
- Consumer value achieved,

rather than retrospective reconstruction of evidence.

## **6.0 New reporting template**

For the new NARMs reporting template issued as part of this consultation, Northern Gas Networks fundamentally disagrees with the introduction of this template so late in the process. This is the consistent view of all GDNs and the SRWG. The main reasoning for this is that the template introduces significant restructure to the already complex risk and reporting tabs through the re-ordering of rows and updating formula.

Having tested the template with the Year 4 submission, this is leading to fundamental errors being generated during population due to the ordering changes. The means suitable testing cannot be completed using the automated process set up for the rest of the GD2 reporting period and significant process changes and testing would need to be introduced to make this template feasible. Introducing this alongside the already demanding requirements of the GD2 close out process outlined in the consultation documents would make submission before 16<sup>th</sup> October 2026 impossible to achieve as well as giving limited if no additional information to Ofgem as part of the process. Whilst NGN is not opposed to updated templates for GD3 reporting they should be subject to thorough testing and need to have the relevant process and procedures developed around this to ensure compliance, which is unachievable within the timeframes for GD2 NARMs close-out.

Northern Gas Networks propose populating the previous version of the template RIIO\_GD2\_RRP\_NARM25\_v4 with the addition of the DRAFT N1.5 Project Summary Tab. This will allow Ofgem to collect all the required information to adequately monitor and measure performance without the unnecessary regulatory burden of complying to new untested tables, which add no additional value.

## **7.0 Closing statement**

NGN remains committed to working constructively with Ofgem to support a RIIO-2 NARM close-out process that is fair, proportionate and deliverable.

We welcome further engagement to ensure the framework reflects GD delivery realities and maintains focus on consumer value and risk reduction.

While NGN supports the overarching objective of the close-out framework, proportionality in both assessment and evidence requirements will be critical.

NGN does not support the introduction of the new reporting template, as this would impose a disproportionate regulatory burden and render delivery of the required outputs within the proposed timeframe unachievable.