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Dear Mick

Consultation on Ofgem's minded-to position for the determination of re-opener applications in respect of additional income associated with the Traffic Management Act (and Transport for Scotland Act) under the first gas distribution price control review

National Grid Gas Distribution (National Grid) owns four of the Gas Distribution Networks (GDNs) in Great Britain, one of which has reached the threshold specified within Special Condition E7 (Determination of any adjustment factor to be applied to MR_t (IAE_t)) in respect of Traffic Management Act (TMA) costs. This response relates to National Grid's London Network and the costs incurred directly as a consequence of the TMA as well as an assessment of future costs likely to arise within this price control period due to expansion of the London Permit Scheme and associated traffic management costs. In addition, comments are provided on the principles Ofgem is proposing to apply to the forthcoming RIIO GD1 review.

1. Summary

While National Grid welcomes Ofgem's recognition of the additional costs imposed on GDNs by the TMA, it disagrees with the minded-to proposals in several important respects, most notably in relation to productivity analysis. As Ofgem has indicated that the principles and proposals outlined in the minded to consultation, if confirmed, will be carried forward into RIIO, this has serious implications for not only the remainder of GDPCR1 but for the following eight years from 2013. To that end it is vitally important that any decision is made on a firm objective basis that is both fair to consumers and GDNs.

Special Condition E7 of the Gas Transporter Licence states that a relevant adjustment is one which in the opinion of the licensee would, if made, have the effect of enabling the licensee to recover the efficient costs incurred or likely to be incurred in relation to the obligations events or requirements referred to in paragraph 8 of the condition. National Grid does not believe Ofgem's approach is consistent with enabling the Licensee to recover its efficient costs.

National Grid considers that Ofgem has not recognised that different Highway Authorities apply Permit Schemes more rigorously than others, despite there being strong evidence of this. In relation to productivity impacts, the range of costs quoted by Ofgem in the minded-to consultation is between £18,670 and £44,670 per kilometre. It has selected a lower figure than the bottom of the range at £18,000 per kilometre and applied an annual reduction of £1,000 per kilometre on the basis that GDNs should develop solutions to the loss of productivity.

National Grid believes this approach to benchmarking is fundamentally wrong. Ofgem has assumed that the productivity impact is largely due to relative efficiencies between GDNs and has taken no

account of Highway Authority working practices despite strong evidence that application of the TMA varies by Authority and even within Boroughs, where works such as those on Transport for London routes overlay Local Authority boundaries. National Grid recognises that costs in London are broadly within the range quoted by Ofgem, but considers this is clear evidence of different Highway Authority approaches to TMA, since National Grid employs the same management, resources and working practices within London and yet experiences a wide range of costs. A more appropriate approach would be to allow the costs incurred for each Borough or utilise the mid point of the range for each GDN.

A further consequence of Ofgem's approach is that Highway Authorities north of the Thames are assumed to have the same approach as those south of the river. For instance, it is unlikely that the Kent Permit Scheme, which we understand is limited to the busiest roads only, bears any relation in terms of cost to schemes closer to the centre of London which is at the heart of government and commercial and financial institutions.

National Grid does not agree with Ofgem that developing solutions to the prevailing loss of productivity will result in reductions in costs in future years. While GDNs will strive to improve efficiency within the confines of the relevant Permit Scheme, this will be more than offset by schemes becoming more stringent, particularly as those Highway Authorities at the lower end of the cost spectrum, seek to conform with others who apply more restrictions. The counter-factual is that Highway Authorities will reduce restrictions and lower costs to those at the lower end of the scale, but given the political profile and direction of highways regulation, National Grid would be surprised if Ofgem considered this to be a plausible outcome.

In relation to the other elements of the minded-to consultation, National Grid notes that Ofgem has discounted Administration costs below those in the original submission as it considers an element relates to existing NRSWA legislation. The potential for this overlap was recognised by National Grid in compiling its evidence and submitted costs were determined using timesheet data to ensure NRSWA costs were specifically excluded. It is therefore inappropriate that Ofgem has chosen to apply a discount to data that has already explicitly taken this into account. Furthermore, we remain of the view that TMA related Administration costs will continue to rise in line with the prevailing direction of increasing highway regulation and more stringent application by Highway Authorities. For this reason, the Administration costs submitted by National Grid should be allowed in full.

The proposed driver for Fixed Penalty Notices is incorrect as it does not take into account infringements arising from NRSWA notices introduced as part of the TMA. It would therefore systematically understate the efficient level of Fixed Penalties and should be amended. National Grid agrees with the principle and Ofgem's proposal of an efficiency driver for Fixed Penalties as to do otherwise would imply the need for more funding to avoid incurring these charges. However, it is incorrect to base the cost on the minimum Fixed Penalty charge of £80 as penalties (with early payment discount) range up to £300 and therefore a weighted average value is more appropriate.

National Grid supports the proposal to log and recover future TMA costs including those relating to Lane Rental and Overstay charges, having proposed such treatment to Ofgem due to the uncertainty of the timing and quantum of future costs,

With regard to Ofgem's proposed principles and their application to future TMA income adjusting events within both the current and future RIIO price controls, National Grid understands and applies them. Indeed throughout implementation of the TMA, National Grid has striven to improve working practices with Local Authorities so as to reduce the number of Fixed Penalties incurred and this work will continue. Similarly driving efficiency into our Administration support and increasing Productivity for street-works is an ongoing objective. However, it would be wrong for Ofgem to assume that TMA costs can be off-set in whole or in part by efficiencies, as costs are imposed by Highway Authorities on the basis of their interpretation of their network management duties. National Grid believes that the prevailing highways regulatory environment will become more challenging as Permit Schemes and associated regulations evolve. With or without the TMA, GDNs will always seek better ways of

working with Highway Authorities and driving efficiencies, but Ofgem should recognise that in order to comply with the law, much of the cost incurred will be unavoidable.

In National Grid's RIIO GD1 business plan submission we will set out an enhanced mechanism for addressing the funding of street-works legislation related costs. This mechanism recognises the evolving nature of the schemes and their sporadic roll-out across Highway Authorities covering all our networks by focusing on an annual process to set ex-ante targets based on a set of established principles with an ex-post adjustment for specific elements (matters arising beyond a network's control, whether positive or negative).

Given the issues above in relation to some of the key proposals within the minded to consultation and its implications for RIIO, National Grid will be contacting Ofgem directly to outline its concerns.

2. Assessment of the minded-to consultation

2.1 National Grid's approach to the Income Adjusting Event

2.1.1 National Grid has applied a highly disciplined approach to compiling actual and forecast TMA costs for the Income Adjusting Event (IAE) notice for London Network. In quantifying TMA costs relating to administration, productivity and other TMA costs, a high degree of rigour was applied to ensure the exclusion of any elements attributable to the underlying NRSWA regime and other factors, as we recognised this was absolutely critical to the credibility of any claim.

2.1.2 For example, time-sheeting and management exercises were undertaken to separate out TMA-specific administration activities from NRSWA and other duties among staff and management at the level of named individuals, identified by role content. For the purpose of quantifying TMA productivity costs, non-TMA productivity variances were systematically excluded by base-lining observed productivity variances against a directly adjacent non-permitting zone within the London area. In support of this, National Grid obtained independent assurance on the reasonableness of our approach, by commissioning a report by consulting engineers Currie and Brown. A copy of the report was provided to Ofgem on 30 June 2011.

2.1.3 National Grid's forecast of TMA costs for boroughs in phase 1 of the London Permit Scheme (LoPS) was based on a conservative flat works profile. Forecast TMA costs for boroughs joining the London Permit Scheme (LoPS) in 2011-12 and 2012-13 were based purely on external verifiable documentary evidence.

2.1.4 The inclusion of forecast cost impacts from NRSWA S74 charges and S74A Lane Rental, although uncertain, was made with the intention of giving visibility of the potential scale of cost impacts arising. National Grid made its concerns and proposed approach clear to Ofgem in a letter of 30 November 2010 and in subsequent discussions and correspondence on TMA costs leading up to the IAE submission.

2.1.6 On the above point, National Grid therefore welcomes Ofgem's pragmatic approach in allowing costs relating to other boroughs not included in our IAE forecast to be logged up, together with the relevant section 74 costs within the remainder of GDPCR1.

2.2 Productivity Costs

2.2.1 **National Grid's exclusion of non-TMA costs** – Ofgem stated that it is not convinced that the reported levels of other costs, predominantly lost productivity, are solely as a result of the implementation of permit schemes. However, in National Grid's IAE submission, it was explained that the zonal analysis of productivity variances against the pre-TMA target baseline had been designed *specifically* to exclude non-TMA impacts

- 2.2.2 The methodology used by National Grid compared the performance variances measured within permit-active zones with a baseline performance variance measured in directly adjacent non-permitting boroughs within the London area in which the works type, location and street authorities' application of NRSWA legislation were consistent with those authorities which joined the first phase of the London Permit scheme.
- 2.2.3 In addition, any inherent differences in working conditions between zones was filtered out by comparing actual performance against target costs which were calculated to reflect the prevailing physical works and environmental characteristics specific to that zone. On this basis, National Grid is confident that our assessment (reinforced by the independent report by Currie and Brown) of TMA productivity impacts is robust.
- 2.2.4 In view of National Grid's benchmarking methodology and overall approach to productivity analysis, we do not understand how Ofgem can objectively reach a conclusion of not being convinced, particularly as the reasons for it are not articulated in the minded to consultation.
- 2.2.5 **Ofgem Benchmarking** – National Grid understands that Ofgem's observed range of unit costs as stated between £18.67 per metre and £44.67 per metre of mains abandoned represent the average TMA impact on productivity and other costs observed in Southern and London GDNs respectively. National Grid also notes that Ofgem are minded to set the initial level of these allowances at £18 per metre across both GDNs. While National Grid accepts that it is sensible to apply some level of simplification in the analysis of these cost impacts, we believe that the comparison of average unit costs in this way is flawed and fails to take account of the following:
- i) Key differences both between Boroughs and geographically between the commercial and government centre of London north of the Thames as compared to south of the river., i.e. in the political and commercial heart of the capital, where the road infrastructure is under greatest pressure, the interests of works undertakers and permitting authorities are in most direct conflict, and hence the application of TMA is at it's most rigorous.
 - ii) Fundamental differences between Permit Schemes. For example, the Kent scheme (applied only to the busiest routes) and the London Permit Scheme (applied to all registered works in all streets in participating Boroughs north and south of the Thames);
- 2.2.6 In Appendix B of National Grid's IAE submission, we provided case study evidence that certain central boroughs north of the Thames were systematically applying 50m working length restrictions and in one case 25m working lengths were mandated
- 2.2.7 **Unit cost variation** – National Grid would add that the varying unit costs identified within our submission are simply a reflection of the varying ways and extents to which different highway authorities choose to administer TMA and apply restrictions to fulfil their network management duties. They are not a measure of relative GDN efficiency within boroughs. To illustrate this and reinforce the detailed evidence provided in the submission of the 30 June 2011 (which we commend Ofgem to review again), National Grid has appended a summary of the different approaches taken by London Highway Authorities to this response.
- 2.2.8 Further to the above, National Grid notes that Ofgem is minded to reduce productivity allowances year-on-year in recognition that TMA permit schemes will become "business as usual" and the expectation that GDNs should develop solutions to the loss of productivity. Whilst we agree that GDNs should continually seek to develop more cost-efficient ways of working, Ofgem is wrong to presume without any evidence whatsoever that costs will fall. On the contrary, National Grid would point to the increasing level of TMA historical costs as Permit Schemes have developed and the direction of future highways regulation and political rhetoric which strongly indicates costs and complexity will continue to increase for sometime yet.

- 2.2.9 Ofgem's minded to position rests on the presumption that GDNs can simply offset the impact of TMA restrictions being imposed by Authorities by working more efficiently. This incorrectly confuses performance with National Grid's obligations to comply with Permit conditions. Crucially Ofgem ignores evidence provided by National Grid that cost variations are largely due to differing interpretation and application of the London Permit Scheme for which National Grid has no statutory redress and must comply if it wishes to carry out street-works. The ideal approach to addressing the TMA productivity costs should be based on costs assessed for each individual Highway Authority. However, we recognise this is not practicable and therefore an average calculation would be pragmatic within National Grid's London network. Given the above and the earlier point about different characteristics of Highway Authorities north and south of the Thames it would be inappropriate to use an amalgamation of North London and Southern Network costs.
- 2.2.10 It should be noted that National Grid does engage constructively with Highway Authorities in order to minimise costs, but the manner in which Authorities choose to administer the TMA is not open to negotiation by GDNs or other works undertakers. Hence there is little scope for GDNs to mitigate the impacts of TMA.
- 2.2.11 **TMA Impacts prior to Permits** – National Grid notes that Ofgem has failed to allow productivity costs incurred directly in relation to TMA permits. These costs were incurred in 2008-09 and 2009-10, prior to the implementation of the London Permit Scheme, in relation to the following:
- a) Enhanced advance noticing requirements introduced in April 2008 under Section 49 of Part 4 of TMA, as these significantly reduced the level of flexibility in deployment of teams to projects at short notice;
 - b) Enhanced working requirements within TfL routes in the lead up to implementation of the permit scheme.

Since these costs have been incurred directly as a result of Part 4 of TMA, we consider that Ofgem should include them within allowed costs.

2.3 Other Costs

- 2.3.1 In compiling the IAE submission, National Grid quantified the incremental direct costs and charges, such as traffic restriction orders, parking bay suspension charges, traffic management costs and traffic management plans (termed Permit Conditions Costs) which we had recorded in relation to works in TMA permit Boroughs. Incremental costs were identified by comparing these costs on a per closing notice basis between 2010-11 and 2009-10 in order to filter out any distortion attributable to year on year variations in workload. From this exercise it was clear that there had been a significant increase in permit conditions costs per job within boroughs which had implemented the London Permit scheme, in direct contrast to non-permitting boroughs.
- 2.3.2 National Grid believes that the marked difference between the level of these costs in LoPS Boroughs and non-LoPS Boroughs – augmented by documentary evidence in relation to a number of case-study projects which we included in Appendix B to our IAE submission – provides clear evidence that the ability to impose such costs has been significantly enhanced by virtue of the permitting authorities' power to specify numerous additional requirements against permits for works, which are effectively non-negotiable, in contrast to the pre-existing NRSWA regime.
- 2.3.3 National Grid projected this cost forward on a flat basis, taking account of additional Boroughs which had expressed a clear intention to join the LoPS in the years 2011-12 and 2012-13, and we are therefore of the view that our submission, represents a robust view of the direct and unavoidable impact which TMA has on the level of these costs.

- 2.3.4 In the IAE submission National Grid categorised these costs separately from TMA productivity cost impacts. We took this approach as we had clearly identified TMA productivity impacts in relation to replacement works only, whereas the increase in permit conditions costs related to capex, opex and repex activities.
- 2.3.5 National Grid is therefore also concerned that the simplified approach proposed by Ofgem in basing the allowance of these costs purely on the length of mains abandoned, will incorrectly preclude recognition of such costs arising against other activities such as connections and repairs. We therefore believe that a separate allowance should be made in respect of “other” costs arising in relation to non-replacement works.

2.4 Administration Costs

- 2.4.1 National Grid welcomes Ofgem’s recognition in full of the administration costs quantified in the TMA cost template in respect of 2008-09 and 2009-10 and recognises that underlying cost-efficiencies must be sought in the ongoing administration of the TMA regime. However, we disagree with Ofgem’s proposal for the level of allowances for 2010-11 to 2012-13 at £8,000 per project, below the lower extremity of observed unit costs.

2.4.2 In compiling National Grid’s IAE submission, detailed time-sheeting and management exercises were undertaken to separate out TMA-specific administration activities from NRSWA and other duties among staff and management at the level of named individuals, identified by role content. This detailed approach was taken as we were aware that clear separation of TMA from NRSWA and other activities was absolutely critical to the credibility of our claim. We are therefore disagree with Ofgem’s view that these costs include an element of work associated with the pre-existing legislation and the implication – since the proposed unit allowance is below the lower extremity of observed unit costs – that this element is substantial.

- 2.4.3 National Grid’s experience under LoPS to date is that the intensity with which street and highway authorities interpret and exercise their primary network management duties under TMA is increasing over time and hence becoming more restrictive on long-cycle works in particular. The forward profile of administration costs in our submission therefore reflects a conservative estimate of the administration costs incurred in 2010-11 and likely to be incurred going forward.

- 2.4.4 The focus of Ofgem’s TMA costs matrix on the LoPS subset of Boroughs has systematically excluded administration costs of £0.654m, incurred in relation to two Boroughs within the LoPS catchment (Tower Hamlets and Havering) which presently have no plans to join the LoPS scheme and parts of other Boroughs which lie within London, but outside the LoPS area. The exclusion of costs in relation to these boroughs was pointed out to Ofgem in our memo of 14th September.

- 2.4.5 For the reasons outlined above, unless Ofgem has clear evidence to the contrary, it should allow National Grid’s Administration costs in full.

2.5 Fixed Penalty Notices

- 2.5.1 **TMA Basis for FPNs** - With regard to the proposed treatment of FPN costs, Ofgem appears to have misunderstood the provenance and applicability of Fixed Penalty Notices. As explained in our IAE notice, FPNs were introduced via Section 41 of Part 4 of TMA 2004 and as such, the inclusion of efficient FPN costs should be fully recognised as valid TMA costs, whether these apply to noticing infringements or permit offences.

- 2.5.2 FPNs apply both to NRSWA noticing infringements and, where permit schemes apply, also to permit offences. There are seven categories of offence against NRSWA noticing and two categories against permits. Each of the nine categories are clearly recognised in Ofgem's TMA cost templates.
- 2.5.3 National Grid therefore fundamentally disagrees with Ofgem's proposal that the volume of permits should be an appropriate driver for FPN costs, as this ignores the fact that Part 4 of TMA has directly imposed additional costs on GDNs through the introduction of FPNs against NRSWA noticing infringements, as well as permit offences. National Grid therefore expects Ofgem to amend this driver to include NRSWA noticing.
- 2.5.4 **Efficient Level of Penalties** – National Grid agrees with the principle of there being an efficient level of FPNs as to do otherwise might imply uneconomic funding to resource to avoid all such costs. We therefore support Ofgem's proposal as it strikes an appropriate balance between operational efficiency and incentivising compliance with highways legislation.
- 2.5.5 **FPN Unit Costs** – With regard to Ofgem's proposed unit cost basis for allowing FPN costs, Ofgem cites an example of where they consider it efficient to have incurred a fixed penalty, i.e. in the case of a project over-running. In reality this could, at the Highway Authorities discretion, incur a penalty under FPN category 08 for undertaking works without a permit, for which the charge is £300 where paid within 28 days of notification *and* a further FPN under category 9 of £80 for breaching a permit condition, if paid within 28 days. Yet the proposed "efficient" FPN charge is based purely on the £80 standard charge against category 9. National Grid therefore believes that Ofgem's minded-to position based on determining allowed costs per FPN is unsupportable as it does not recognise actual FPN costs. Using £80 per FPN for categories 1 – 7 and category 9 and applying £300 for category 8, against the population of FPNs in the Outer Met-adjusted submission, NGG has calculated a weighted average FPN value of £112 across existing boroughs. We believe this to be an appropriate basis for unit FPN allowances in permitting areas and £80 elsewhere.
- 2.5.6 **FPNs in Non-LoPS Boroughs** – While the Ofgem TMA cost template focussed on Boroughs in London Network which are currently or are forecast to be, part of the LoPS, it has excluded FPN cost of £0.293m relating to two boroughs within the LoPS catchment (Tower Hamlets and Havering) and parts of other boroughs which lie within London DN, but outside the LoPS area. The exclusion of costs in relation to these boroughs was pointed out to Ofgem in our memo of 14th September.
- 2.5.7 On the basis of the above points NGG is strongly of the view that FPN costs should be allowed on the basis of the approach outlined above.
- 2.6 Future costs with GDPCR1**
- 2.6.1 National Grid welcomes Ofgem's proposal that TMA costs for potential additional permitting authorities, and NRSWA Section 74 and 74A costs may be logged up for consideration in a potential future revenue adjustment. On the basis of uncertainty of the timing and extent of such costs, National Grid proposed such an arrangement to Ofgem in November 2010 to avoid windfall gains or losses.
- 2.8 Implications for RIIO**
- 2.8.1 With regard to Ofgem's proposed principles and their application to future TMA income adjusting events within both the current and future RIIO price controls, National Grid understands and applies them. Indeed National Grid has been at the forefront of discussions with Government and Local Authorities in attempting to influence the development of Permit schemes in London and elsewhere. Throughout implementation of the TMA, National Grid has striven to improve working practices with Local Authorities and reduce the number of Fixed Penalties incurred and this work will continue. Similarly driving efficiency into our Administration support and increasing Productivity for street-works is an ongoing objective. However, it would be wrong for Ofgem to assume that TMA costs can be off-set in whole or in

part by efficiencies. National Grid believes that the prevailing highways regulatory environment will become more challenging as Permit Schemes and associated regulations evolve. With or without the TMA, GDNs will always seek better ways of working with Highway Authorities and driving efficiencies, but Ofgem should recognise that in order to comply with the law, much of the cost incurred will be unavoidable.

- 2.8.2 Caution must be applied with how the principles are intended to be applied to setting ex-ante or ex-post allowances. Given the lack of maturity of TMA schemes and our experience of the different application of them across London Boroughs, it is not reasonable to assume in advance that efficiencies are going to be deliverable until some consistent application is in place. This appears unlikely to happen at present. Looking forward we will see Permit Schemes and related legislation evolve and also Local Authorities rolling out permit schemes at different rates. The application of the principles therefore needs to recognise these factors, particularly as the RIIO period will be eight years.
- 2.8.3 In National Grid's RIIO GD1 business plan submission we will set out an enhanced mechanism for addressing the funding of street-works legislation related costs. This mechanism recognises the evolving nature of the schemes and the sporadic roll-out across Highway Authorities covering all our networks by focusing on an annual process to set ex-ante targets based on a set of established principles with an ex-post adjustment for specific elements (matters arising beyond a network's control, whether positive or negative).
- 2.8.4 In relation to Ofgem's intention that the principles and proposals within the minded to consultation will carry forward into the RIIO price control from 2013, National Grid believes this reinforces the need to ensure that the final Ofgem decision is fair and based on a sound footing. The ramifications will not just impact this IAE, but other submissions with GDPCR1 and critically the eight years of the RIIO period. As far as National Grid is concerned, while we welcome aspects of the minded to consultation, it does not meet this criteria in certain important respects across a number of categories, but notably in relation to productivity. We will therefore be contacting Ofgem to address these concerns at the earliest opportunity.

4. Consultation Questions

Question 1: Do you agree with the proposed adjustments to the revenues associated with TMA for the three GDNs, North London, Southern and Scotland?

National Grid fundamentally disagrees, for the reasons described in this response, with Ofgem's minded to approach to assessing efficient levels of TMA cost in respect of productivity cost impacts; other costs; ongoing administration costs and Fixed Penalty Notices, and hence to the proposed revenue adjustments. With no knowledge of the basis of the IAE for Scotland, we cannot comment.

National Grid has proposed a relevant adjustment for the purposes of Special Condition E7 of its Gas Transporter Licence. It is our opinion that the adjustment proposed will have the effect of enabling National Grid to recover costs efficiently incurred. It is for the Authority to determine under Special condition E7 whether the amount of the proposed adjustment secures this effect. As stated above we do not believe that Ofgem's approach is consistent with enabling an adjustment that will allow the recovery of such efficient costs and therefore that the proposed minded to adjustment is both flawed and inconsistent with the requirements of a determination to be made by the Authority in accordance with Special Condition E7.

Question 2: Do you agree with the proposed principles that have been set and that these should be applied to future TMA re-openers and price controls?

While National Grid understands the principles outlined by Ofgem of better working with local authorities and improving efficiency and productivity, this cannot in itself bring about any real amelioration of the TMA regime, as this is driven by each Authority's interpretation of how best to fulfil

their principal network management duties. Given our experiences of the London Permit Scheme and the different practices adopted by Highway Authorities within it, expansion of permit schemes with Great Britain will add to, not reduce complexity and costs.

During Ofgem's site visit to National Grid's works in London, we explained that we highly value effective working relationships with Highway Authorities and are constantly aiming to improve them. Nevertheless, in our experience, the way in which authorities choose to administer TMA is essentially non-negotiable.

Given that TMA permits effectively remove GDNs' statutory rights to open the highway, then wherever the road infrastructure is under extreme pressure, as in central London, the interests of works undertakers and permitting authorities will largely remain in conflict.

Question 3: Do you agree with the timeframe within which it is proposed that additional revenues will be recovered?

National Grid agrees with Ofgem's proposal in that the additional revenues relating to the final costs determined in respect of the current IAE for London Network should be recovered within 2012-13. Additionally, since the cumulative cost trigger level for London has been exceeded, we would expect to be able to recover additional revenues in respect of any further TMA costs logged in London DN within 2012-13 during 2014-15, following a submission in June 2013 and consistent with the provisions of Special Condition E7.


With regard to TMA costs arising within any of our other networks in relation to other permit schemes implemented within 2012-13, National Grid would, subject to reaching the cumulative cost trigger, expect to be able to recover additional revenues during 2014-15, following an IAE submission in June 2013.

I trust the information provided in this response is useful and look forward to discussing the content with you at the earliest opportunity.

Yours sincerely

Chris Bennett
By email.

NGG TMA Costs IAE – External Factors differentiating the Administration and Impact of TMA within London DN

HA Type: →	Outer London Boroughs e.g. Newham / Redbridge / Waltham Forest / Haringey / Barnet etc	TfL (Transport for London Road Network - TLRN)	Inner London Borough e.g. Camden Hackney, Tower Hamlets / Islington / Ealing / Hounslow	Central London Borough e.g. Hammersmith & Fulham / Kensington & Chelsea / Westminster / City of London
Typical Road Topography and Environment	Mixture of residential, small business premises and some commercial premises, some restricted parking mixed with off road availability. Fewer Strategic Road Network routes (SRN's) running parallel to TFL roads.	Trunk roads; linear structure; little or no parking (red routes); complex junctions; interaction with borough HA's at intersections. Significant impact on traffic flows, high level of traffic signals, restricted parking for works vehicles	Mixture Commercial premises - traditional high street shopping areas and residential properties; non-linear roads; numerous junctions; high level of metered or permit-controlled parking for residents / businesses. Some interaction with TFL roads, large number of multi-occupancies conversions and purpose built with SRN running throughout area.	Government & Commercial heart of London; non-linear roads; numerous junctions; metered or permit-controlled parking for residents / businesses, frequent interaction with TFL roads (TLRN), High number of SRN's. Significant traffic impact, high level of business impact, major TFL public transport routes
Restriction Type				
↓ 1 Restricted working length	Generally between 100m and 150m, reduced to 50m when working under alternative flow traffic light control or areas involving controlled parking zones	Typically in line with local borough restrictions roads pass through, as both TFL and HA need to agree details, Working length can be dependent on the number of junctions and impact to traffic, working at complex junctions generally restricts works to these areas only and will require completion prior to continuing of works. Issues with re-phasing of traffic signals significantly influence project progression.	Normally between 75m and 100m but can be down to 50m in areas with on-street controlled parking arrangements or using traffic control.	Typically 50m in total, but down to 25m in some cases when working on properties both sides of the road, permit always restricts working area to limit on parking restrictions and frequency of junctions, etc.
2 Restricted Working Hours				
◆ 24/7 working (limited job duration)	Not applied due to environmental & local business concerns	Can apply on certain complex projects (Archway Road A1). Encouraged on certain other projects in central areas, but restricted where borough HA's refuse late and overnight working in the interests of local businesses and residents environmental considerations.	Not applied due to environmental & local business concerns	Not applied due to environmental & local business concerns
◆ Restricted working e.g. not peak traffic hours	Only occasional restrictions on SRN	High level of off peak (restricted) working on all major routes into London even footpath working due to safety zones and lane closures, restricted working normally between 9.30am to 3pm, Traffic management needs to be put out and brought back in each day.	Only occasional restrictions on SRN	Permit restriction for government events, visits, protest marches, parades etc, Some restricted working hours (10am-12pm & 2pm- 4pm) City of London, plus lunch time restrictions around business centres.
◆ Limited Twilight working or overnight working only	Requests to cover individual junctions or areas of significant high impact restricted by environmental considerations	Regular permit instructions for night work or extended working hours only normally restricted by environmental considerations	Requests to cover individual junctions or areas of significant high impact restricted by environmental considerations	Requests to cover individual junctions or areas of significant high impact restricted by environmental considerations
3 Typical HA Policy on Setting Permit Conditions and Agreeing Variations				
◆ Planning Requirements (Permit Conditions Traffic Orders)	Traffic Orders submitted with TM drawings (6-8 weeks) for joint approval	Traffic Orders in advance of confirmation of permit application Submitted but not approved (12 - 16 weeks) prior to TM drawings being approved.	Traffic Orders submitted with TM drawings (6-8 weeks) for joint approval	Traffic Orders in advance of confirmation of permit application Submitted but not approved (6-8 weeks) prior to TM drawings being approved.
◆ Planning Requirements (Traffic Management Drawings)	Site meeting planned to discuss traffic management in advance of works for major routes, traffic orders of traffic control	Traffic management drawings required in advance of meeting stakeholder prior to agreement of Permit request	Traffic management drawings required in advance of meeting stakeholder prior to agreement of Permit request	Traffic management drawings required in advance of meeting stakeholder prior to agreement of Permit request
◆ Planning Requirements (Site Meetings)	Local coordination of all stakeholders, TFL/HA/Buses/ Police etc) to meet to agree permits	Local coordination of all stakeholders, TFL/HA/Buses/ Police etc) to meet to agree permits	Local coordination of all stakeholders, TFL/HA/Buses/ Police etc) to meet to agree permits	Local coordination of all stakeholders, TFL/HA/Buses/ Police etc) to meet to agree permits
◆ Site Meetings Required to agree TM drawings	NA	TM agreed or reviewed on site meeting following drawings being approved (The TM drawings can be declined following site visit and new plans requested)	TM agreed or reviewed on site meeting following drawings being approved (The TM drawings can be declined following site visit and new plans requested)	TM agreed or reviewed on site meeting following drawings being approved (The TM drawings can be declined following site visit and new plans requested)
◆ Site Meetings Required to agree permit conditions	All Works	All works	All Works	All Works
◆ Extensions or variations reviews.	Will depend on location and impact	Meeting only on site by appointment	Will depend on location and impact	Dependent on Location, normally by meeting only on site by appointment
◆ Parking bays Suspension	Stated in Permit Conditions	Stated in Permit Conditions	Stated in Permit Conditions	Stated in Permit Conditions
◆ Loading bay Suspension	Not Requested	Permit will request Traffic Order required	Not requested	Permit will request Traffic Order required
◆ TM Alterations to agreed works site dimensions (often due to below-ground issues)	Agree locally, may need site meeting and updated drawings depending on location	Stop works, updated TM drawing, site meeting to agree changes confirmation via variation of permit	Agree locally, may need site meeting and updated drawings depending on location	Stop works, updated TM drawing, site meeting to agree prior to works continuing
◆ Additional requests on permit Conditions prior to approval	Dependent on location - Peak hours manned traffic control, Public notification confirmation required	Variable message signs (12 on Cromwell road) and manned traffic control / maintenance of sites requested (up to 14 hours), Public relations confirmation on permit conditions, public events held and wide spread mail shots.	Dependent on location - Peak hours manned traffic control, Public notification confirmation required	Some Variable message signs request manned traffic control normal peak hours, Public relations confirmation on permit conditions, public events held and wide spread mail shots.
◆ Restricted working time to low traffic flow periods (School Holidays)	Generally in areas of Schools and colleges only	Complex Junctions, areas of extreme sensitivity.	Generally in areas of Schools and colleges only	Complex Junctions, areas of extreme sensitivity, esp. outside key buildings.
◆ Support loading / unloading restrictions (out of hours)	No additional restrictions	Normally out of hours (Deliveries over nights only)	No additional restrictions	Off Peak hours
Indicative Range of TMA Productivity + Other cost Impact:	£19			£77
Overall Average TMA Productivity + Other cost Impact	NGG Weighted Average for LoPS areas = £44 per metre abandoned			