

To: National Grid Gas plc (with respect to its gas distribution networks)

(Company Number: 02006000)

Northern Gas Networks Limited

(Company Number: 05167070)

Scotland Gas Networks plc

(Company Number: SC264065)

Southern Gas Networks plc

(Company Number: 05167021)

Wales & West Utilities Limited

(Company Number: 05046791)

(together the "Licensees" and each the "Licensee")

Notice under paragraph 10 of Standard Special Condition A40 (Regulatory Instructions and Guidance) ("SSC A40") of the Gas Transporter Licence granted to the Licensees under section 7 of the Gas Act 1986

The Gas and Electricity Markets Authority (the "Authority"¹) hereby gives notice under paragraph 10 of SSC A40 as follows:

1. The Authority proposes to modify the Regulatory Instructions and Guidance (the "RIGs") under SSC A40. The RIGs are the primary means by which the Authority directs the Licensee to collect and provide the information to the Authority to enable it to administer the Special Conditions of the Gas Transporter Licence and, where not referenced in the licence, the RIIO-GD1 Final Proposals.²
2. SSC A40 came into effect on 1 April 2013, at the start of the RIIO-GD1 price control period. Subject to any representations, the Authority proposes to modify the RIGs in a direction to be issued on or after 28 April 2015 and the RIGs will take effect for the submission of information due in July 2015 which relates to the 2014-15 reporting year.
3. The proposed modifications to the RIGs consist of new tables and revisions to existing tables. These modifications are detailed in Appendix 2 to this Notice.
4. The purpose of the proposed modifications is to require the Licensees to provide more accurate, consistent and complete information to the Authority. The effect of the proposed modifications will be to enhance the information available to Ofgem.
5. Links to the RIGs, with the proposed changes incorporated, together with the associated excel templates are included in Appendix 1 to this Notice ie.
 - (a) RIIO-GD1 Gas Distribution Price Control – Regulatory Instructions and Guidance: Version 2.0
 - (b) RIIO-GD1 Gas Distribution Costs and Outputs Reporting Template: Version 2.0

¹ The "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Office of Gas and Electricity Markets (Ofgem) supports the Authority in its day to day work.

² [RIIO-GD1: Final Proposals - Ofgem reference 168/12](#)

(c) RIIO-GD1 Gas Distribution Revenue Reporting Template: Version 2.0

6. Copies of this Notice and other documents referred to in it are available on the Ofgem website (www.ofgem.gov.uk).
7. Any representations on the proposed modifications to the RIGs must be made on or before 28 April 2015 to: Mick Watson, Office of Gas and Electricity Markets, 9 Millbank, London, SW1P 3GE or by email to mick.watson@ofgem.gov.uk.
8. All responses will normally be published on Ofgem's website. However, if respondents do not wish their response to be made public then they should clearly mark their response as not for publication. We prefer to receive responses in an electronic form so that they can be published easily on our website.

A handwritten signature in black ink, appearing to read 'Paul Branston', with a large, stylized flourish above the name.

.....
Paul Branston
Associate Partner, Costs and Outputs
Duly authorised on behalf of the Authority
26 March 2015

Appendix 1 to the Authority's Notice dated 26 March 2015

Proposed Regulatory Instructions and Guidance

[RIIO-GD1 Gas Distribution RIGs Version 2.0](#)

[RIIO-GD1 Gas Distribution Costs and Outputs Reporting Template version 2.0](#)

[RIIO-GD1 Gas Distribution Revenue Return Template version 2.0](#)

Appendix 2 to the Authority's Notice dated 26 March 2015

Proposed modifications of the Regulatory Instructions and Guidance

Table	GDN original comment	Ofgem response 09/03/2015	GDN second response	Ofgem comment 26/03/2015
Series 1 Tables	There is an aspiration to remove the duplication of information provided between the Regulatory Accounts submissions and the information completed within the RRP series 1 tables. The group has agreed that this will be taken forward by the Regulatory Finance Group. This issue was highlighted on a conference call with the Ofgem PCFM team which was held on Wednesday the 17th of December. Steve Edwards from WWU is currently taking a lead in respect of this work. The aspiration would be to have some proposals from the group by the end of February 2015	reg finance worked with GDNs on all matters raised and other revisions to series 1 tables including an sub-table addition on table 1.6 for asset disposal	n/a	n/a
3.2 Year on year movement	The table has been removed. Movements from one year to another can be derived by comparing annual regulatory reports and it is proposed that key year on year movements be explained in the supporting narrative.	To be reviewed, leave in for 2014/15 reporting	n/a	n/a
3.3 FCO Resource Utilisation	The information with regarding non formula set as a single total and removal of meterwork jobs	Agreed and removed	n/a	n/a
3.4 Business support group 3.5 Business support allocation 3.6 Business support supplement	These tables have been removed as the key information relevant to a GDN is a repetition of that held in table 3.1. In addition, we do not consider that the information will be appropriate for future benchmarking. The tables do however include information on cost apportionments across networks within a company. These tables are time consuming to individual companies, in addition we then incurred additional supplementary question on allocations. The information can also be viewed as a repetition of SC- 4b methodology statement. We therefore propose that the tables are removed and for companies where appropriate an agreed individual format of a report is included in the response to SC4b and not in the RRP. Agreements could be made as part of the planned exercise on cost allocations review.	Removed 3.4 and 3.6 and revised 3.5	n/a	n/a
3.8 Maintenance	The data table has been revised to enhance consistency in reporting. Information is not collected on a consistent basis between GDNs at an asset subcomponent level and systems and processes differ between companies making consistent reporting at a detail level difficult to introduce.	Leave as is, will review following NOMs works	As mentioned above, this information is not collected consistently between GDNs currently and part of the NOMs work should include clear definitions and a methodology for these categories.	Agreed, NOMs should improve consistency of report. But until there is an approved methodology this table will not be changed
3.9 LP gas holders	Details relating to the numbers of operational holders and their effective capacities have been removed because all holders are out of use. The revised table focusses on cost and the status of the remaining holders showing whether they have been demolished.	Leave as is	n/a	n/a
3.10 Land remediation	The reason for this is that the actual split will depend on management decisions, for example the degree of outsourcing. Comparison of relative business performance should not be performed at a component level because the overall cost of delivering the required output is important not whether one GDN has chosen to structure their business in a different way to another.	Agreed & changed	n/a	n/a
3.13 Streetworks	It removes information that is reported elsewhere in the RRP, for example mains length abandoned, and consolidates FPNs into three categories, Notices, FPNs and Scottish. It also consolidates and revises other streetworks costs. In addition the treatment of Section 74 costs and lane rental charges have been improved. At the bottom of the tab a list of Highway Authorities operating schemes has been provided.	No changes to be made to this table - data helpful and used for benchmarking and re-openers	The current 3.13 template was originally used for the purpose of the June 2011 streetworks re opener. At that time significant detail was required, and provided. However, this detail may not be suitable for any future uncertainty mechanism submissions and it is not certain that each Network will request a re-opener. In addition the GDN working group on this particular table, identified inconsistencies in respect of completing aspects of the current template.	The table was originally created for the GDCPR1 reopeners, however, it was further developed during the RIIO-GD1 RIGs process. This development was led by NGGD. We are aware that some GDNs may trigger the reopener during this May's window, therefore we consider it appropriate to retain it. If no reopeners are received we may reconsider the requirement to complete.

Table	GDN original comment	Ofgem response 09/03/2015	GDN second response	Ofgem comment 26/03/2015
4.2 Cap Expenditure Analysis	Table modified to work from gross costs and to split out other costs from materials	Agreed and revised	n/a	n/a
4.3 LTS storage and entry	<p>The project dimensions and workload count information in this table attempt to relate the costs to the type and size of project, and its impact on Asset Health. However it focuses on projects greater than £0.5m only, and provides an imperfect view of these relationships and is probably of limited in its current form. We propose to remove this information from this table so that the table focuses on costs only.</p> <p>Instead we propose that the relationship between costs and asset health should be covered in the commentary for 2014/15. GDNs should provide commentary linking asset health performance back to the appropriate table costs and workload where possible – costs may be in capex, repex, and potentially opex. It may be possible to generate a matrix or table to do this in future years once the GDNs have further developed their understanding in this area.</p>	Not all changes made – remaining data provides basis for benchmarking and preparation for GD2	Page 54 - instructions for table 4.3 needs updating to reflect revised table	The adjustments made in the tables have been reflected in the RIGs
4.7 Other CAPEX	<p>This table is simplified to remove the design/implementation and the customer/growth etc apportionments for which there is no consistent definitions or requirement of the information in an annual report.</p> <p>We have also removed the detailed sections and the project split less than £0.5m, greater than £0.5m is still included and these items will be discussed in the commentary.</p>	Agreed, however vehicle reporting/costs will be reviewed at a future date	This should just be an annual checking process for numbers removed and the B/F and C/F should not be necessary.	There is no reference to b/f or c/f on the table or RIGs for table 4.7
5.2 a, b, c, d REPEX iron mains	<p>The split of 'lay' sizes have been removed from the tables as per previous discussions with Ofgem. The required output of mains replacement is the removal of iron pipe risk, together with the linked output of replacing the associated steel services, which can be replaced at the time of mains replacement at reduced cost (relative to doing them separately). GDN performance should be assessed on the basis of cost of pipe taken off risk and the amount of risk removed. Reporting cost by lay size adds complexity but little value because reporting the cost split of laying pipes of different sizes is not the same as reporting the cost of abandoning pipes. For example a 63mm PE pipe may be laid to replace a 3" or 4" main; it is not possible to directly link lay costs with abandon sizes.</p> <p>In future, in preparation for the next price control, it is proposed to undertake a comprehensive review of the cost of abandoning pipes of different sizes.</p>	No changes to be made to these tables. Information requested is proportionate to the cost of the repex activity	<p>We agree with Ofgem that the replacement of relatively higher risk iron gas mains and associated steel service pipes is a significant investment programme for Gas Distribution Network operators and so it is appropriate that there is effective reporting of outputs and costs and that reporting is aligned with the required outputs.</p> <p>Within tiers there is no requirement to abandon particular amounts of pipe of different diameters.</p> <p>The 5.2 data tables report costs by laid pipe sizes and whilst there is correlation between laid and abandon sizes the two are not directly linked.</p> <p>Furthermore network operators collect costs by replacement project because that is how the work is managed and projects may have more than one diameter of pipe within them. As a result to fill in the existing table costs have to be attributed to laid pipe sizes and consequently the reported unit costs are to a significant degree an artefact of the process used.</p> <p>To our knowledge, you have not been using this level of detail in any year end reporting requirement. We accept that for development of benchmarking/GD2 requirements then a level of u/c detail is required, but this should be determined by a review of the benchmarking and an exercise to identify the appropriate level of u/c can then be carried out. Doing this exercise on an annual basis is an unnecessary burden on us.</p> <p>In the light of these points Gas Distribution Network operators do not believe that reporting on the basis of laid pipe diameters within Tiers is either justified as being required to report the costs of delivering outputs or useful for benchmarking purposes because the costs are being allocated between laid pipe sizes they are not actual costs.</p>	Until the PSR has been concluded and any mid-period review we will not be changing these tables.
5.5 Repex Expenditure Analysis	Table modified to work from gross costs and to split out other costs from materials	agreed and revised	n/a	n/a
5.7 Mains decommissioned	This table has been removed following discussions with Ofgem.	Detailed requirements removed but summary table 5.8 remains. The detailed table 5.7 should continue to be maintained by the GDNs as Ofgem may call upon this in any reporting year.	n/a	n/a

Table	GDN original comment	Ofgem response 09/03/2015	GDN second response	Ofgem comment 26/03/2015
7.1 Safety outputs	The table has been simplified by removing material type and diameter splits, reducing reporting complexity.	no changes to this table – info required	n/a	n/a
7.4 PREs, Reports and repairs	The table has been simplified reducing reporting complexity. ECVs repairs have not been separated out as a job type within the table leaving these included within the service jobs category however GDNs would like to discuss with Ofgem whether it is appropriate for these jobs should be separately reported.	Accepted most changes proposed – did not accept deleting the 'deferred' table (rows 21 and 22)	n/a	n/a
7.6 Business Carbon Footprint	The existing table includes Own Use Gas and Theft of Gas within Shrinkage (near to the bottom of the table). Own Use Gas is a scope 1 emission that logically should go in that section whereas Theft of Gas should not be thought of as contributing to the carbon footprint of a GDN because it is an emission by a member of the public. The table has been modified to remove these inconsistencies. In addition GDNs would like to draw attention to a formula error within the spreadsheet. An incorrect conversion factor is being applied between Shrinkage Energy and tCO ₂ e. Jacob Kane was made aware of this issue before GDNs reported in July however the mistake was not corrected.	No changes to this table	<p>We were pleased to see Business Carbon Footprint included within the scope of RRP because protection of the environment is important to us and it is appropriate for performance to be visible to stakeholders and monitored by Ofgem. However when we wrote to you in December we picked out two areas of concern, which we believed would improve the table.</p> <p>The first of these was a formula error in respect of the conversion of Shrinkage Energy to tonnes of Carbon Dioxide equivalent emitted. It is important that this is corrected for 2014/15.</p> <p>The second related to improving the consistency between Ofgem reporting and the approach commonly applied in the wider business community and across the public sector.</p> <p>Leakage of gas is a 'Fugitive Emission' that is to say that it is a loss by the Gas Distribution Network operator, which affects the environment and the Gas Distribution Network does not wish the emission to occur.</p> <p>In contrast Own Use Gas is what is generally known in emissions reporting as 'Stationary Combustion'. Stationary Combustion is a Scope 1 loss because it involves fuel being burnt within an industrial process operated by the organisation doing the reporting. In the case of Gas Distribution Networks this is gas used for preheating at pressure reduction installations.</p> <p>Theft of Gas, another component of Shrinkage, is not an emission by the Gas Distribution Network. It is a customer emission albeit that the customers in question are stealing the fuel that they are burning.</p> <p>In connection with table 7.6 we should also like to raise with you an additional point that we did not include in the submission we sent to you in December. Ofgem have since drafted their Annual Report on Gas Distribution Network performance. Within the draft report Ofgem included analysis of Business Carbon Footprint per employee.</p>	<p>- Please can licensees provide information about this error again. This is not an issue which those still within the organisation have sufficient knowledge to make a judgement.</p> <p>- Agree that in principal that the components of shrinkage for which GDNs are responsible should appear in the BCF report and that this would be consistent with other organisations. However, GDNs are incentivised differently for shrinkage and BCF this is why they are reported separately.</p> <p>- Agree that emissions per employee are not a useful measure. These have been removed.</p>

Table	GDN original comment	Ofgem response 09/03/2015	GDN second response	Ofgem comment 26/03/2015
3.12a Theft of Gas	New table	New table	There is a requirement under SPAA for us to report some Theft of Gas statistics. We welcome any move to consolidate reporting into one vehicle and in principle do not have an issue with reporting on Theft of Gas. The key issue with adding this table now is robustness, consistency and use of definitions. We do not have a set of definitions in the RIGS and there is concern of inconsistency at best; and potential to fall foul of DAG and misreporting at worst. We need a specific GDN session with Ofgem on the inclusion of this tab at this late stage. One suggestion could be a "trial" basis note or best endeavours note for this year's reporting plus some further guidance on definitions if the table is to be included?	This will be reviewed at a later day. For 2014/15 for 2014-15 the table should be completed on a 'best endeavours basis' (and therefore fall outside DAG)
6.7 Time to connect	New table	New table	GDN's are happy to complete this table but clear definitions will need to be established over the coming weeks to enable us to complete this for the 14/15 year.	
6.8 Competition in connections	New table	New table	<p>A very similar table to this was last submitted in 2010/11. We would like to understand the need for bringing it back now, and the logic for requiring the information annually in the CRRP, rather than when required.</p> <p>All gas connections including new connections, connection alterations and disconnections are contestable with the sole exception of carrying out live gas working on existing LTS pipes (a small part of a few jobs per year).</p> <p>The terminology and the logic in the table is electricity specific (contestable / non contestable, DSA) and we would like to amend this and the definitions to make it a gas specific table, which may remove some of the requirements.</p> <p>In addition some of the information may well be better sourced direct from the IGTs rather than the GDNs as we are not responsible for connections within their networks or in fact the physical work of connecting their networks to our own and the timeliness of receiving updates and their completeness may lead to incorrect conclusions. Again this may remove some of the requirements on GDNs, whilst providing Ofgem with a better data source.</p>	<p>We welcome the comments that you raised on the Time to Connect and Competition in Connections RIGS tabs. To help us progress these reporting requirements it would be useful for you to provide more information on the changes that you would like to make.</p> <p>Time to Connect</p> <ul style="list-style-type: none"> • Which definitions do you think lack clarity and what can we do to improve them? <p>Competition in Connections</p> <ul style="list-style-type: none"> • What changes would you like to make to the reporting requirements to make them more gas specific? • What information do you think would be better sourced from the IGTs?
RIGS document - other observations			<p>Other observations</p> <p>RIGS document - Changes</p> <p>Page 8 - still referring to 2013/14 Page 33 - 2.1 Totex table - still includes ref to pension deficit repair payments - this has been taken out of the 2.1 template Page 114 - still refers to 2013/14 page 121 - still refers to 2013/14 Page 123 - still refers to 2013/14</p> <p>3.1 Land Remediation The key change to the table is the removal of analysis by cost type (labour, sub-contractors, and materials) however the RIGS document only seems to partially reflect this change. We also noticed a reference to table 7.8 which should actually be table 7.7.</p> <p>4.6 Connections In the RIGS there is the following reference "the first table includes all projects (i.e. above £0.5m and below £0.5m)". We think this should read - "above and below £50k' jobs in keeping with the table further down (cell B45).</p>	Agreed and corrected all items listed