

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")

Direction under paragraph 8 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

Whereas –

1. The Licensees have each been granted a Gas Transporter Licence (the "Licence") under section 7 of the Gas Act 1986 (the "Act") and are subject to the conditions contained in the Licence.
2. In accordance with paragraph 10 of SSC A40 of the Licence the Gas and Electricity Markets Authority (the "Authority") gave notice on 26 March 2015 that it proposed to modify the Regulatory Instructions and Guidance (the "RIGs").
3. The reason for issuing the RIGs is to enable the Authority to collect the information to enable it to administer the Special Conditions of the Licence and, where not referenced in the Licence, the RIIO-GD1 Final Proposals.
4. SSC A40 came into effect on 1 April 2013, the start of RIIO-GD1 price control period and the Authority proposed to issue the RIGs with effect from 1 April 2013.
5. A copy of the RIIO-GD1 Gas Distribution Price Control – Regulatory Instructions and Guidance: Version 2.0 is included in the Schedule to this Direction.
6. The Authority requested that any representations on the proposed RIGs be made on or before 28 April 2015. The Authority received representations from the Gas Distribution Network companies. We considered the representations and made changes as set out in Appendix 1 included with this notice.

Now therefore –

In accordance with the powers contained in paragraph 8 of SSC A40 of the Licence, the Authority hereby modifies the RIGs in the manner specified in the attached Schedule. The RIGs will have effect on and from 1 April 2014.

This document constitutes notice of the reasons for the Direction as required by section 38A of the Act.

A handwritten signature in black ink, appearing to read 'Paul Branston', with a large, stylized loop at the end.

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Paul Branston

Associate Partner, Gas Networks
Duly authorised on behalf of the Authority

14 May 2015

Schedule to the Authority's Direction dated 14 May 2015

Regulatory Instructions and Guidance

[Decision Modification in relation to RIIO-GD1 Gas Distribution Price Control - Regulatory Instructions and Guidance: Version 2.0](#)

Appendix 1 to the Authority's Decision dated 14 May 2015

Modification of Regulatory Instructions and Guidance - Summary of Representations to the [Consultation](#) from the Gas Distribution Network companies

Gas Distribution Network Company (GDN)	Table	GDN Comment	Ofgem Comment
National Grid Gas Distribution	Table 1.6 Disposals	<p>Table 1.6 has been changed to include more detail than was provided last year. One of the changes that you are requesting is information on the purchase cost of land. We are going to have difficulty populating the cost fields (cells C28 to C46) because in most cases we do not have the required information. This is because sites were purchased many years ago by pre- predecessor organisations and appropriate records are not available to us.</p> <p>Without the costs being available we cannot fill in the depreciation cells (D28 to D46). Furthermore land is not usually depreciated in accounts in the way that for example a piece of office equipment, which may wear out or become obsolete is.</p>	We have removed cells C28 to C46, D28 to D46 and J28 to J 46 in the sub-table. We changed cells C15 and D15 cells from linked cells back to input cells
	Table 3.8 Maintenance Costs	<p>The cells in which the list of activities against which costs are to be reported used to be coloured yellow, which meant that GDNs were allowed to over-wright the descriptions or add additional ones. Now these cells are white indicating that GDNs are not permitted to make changes.</p> <p>We understand that this may help you to compare GDNs because the same descriptors will be used by all</p>	The table will remain as it is – the categories should not be changed as these link to the asset categories developed by the Safety and Reliability Working Group

		companies however it will cause us difficulties because we don't collect costs in line with some of the categories that you have listed. This means that if we have to fill in the table as it stands we will have to try to fit costs into the lines as best we can and there is the potential that this will distort the cost split and introduce a new issue into inter GDN comparison. It is our belief that we should be able to edit the lines as we did previously.	
	Table 4.4 Reinforcement	Perhaps you could investigate the extra cells that have appeared on the data table that seem to refer to connections activity (columns J to N rows 6 to 23), which are not referred to in the supporting text. It is possible that these cells should not be present.	Agree, removed
	Table 7.6 Business Carbon Footprint	Previously we have discussed the formula in cell G29 with you and with other GDNs. We will continue to provide assistance to help resolve the issue.	WIP – we are awaiting input from the Costs and Outputs (C&O) Working Group on an appropriate way forward. Until we get an agreed approach from the C&O Working Group the table will remain unchanged
	Other – future changes	<p>In addition to the tables listed above there are a number of tables that we think could be improved in the future. After we have submitted our 2014/15 RRP we would like to discuss with you the opportunities for making further improvements to reports or where reporting by different GDNs may be subject to difference. Areas we would like to discuss further include:</p> <ul style="list-style-type: none"> • Table 3.12a Theft of Gas (ensuring consistency between GDNs) • Table 3.13 Streetworks (approach & level of detail) • Table 7.3 Network Output Measures (potential extensive modification) • Table 7.4 Reports and Repairs (ensuring consistency between GDNs) 	<p>Noted. We will consider these points at the next C&O working group meeting and consider any relevant changes as part of any future amendments.</p> <p>In particular we will consider the alignment of cost reporting to the NOMs categories once the GDNs have submitted the full methodology for approval.</p>

Northern Gas Networks	Table 1.6 Disposals	Changes have been made to this table that have not previously been discussed. We can provide most of the information requested apart from the historic purchase prices. Such granular information was not provided to us as part of the sale process in 2005.	As above - We have removed cells C28 to C46, D28 to D46 and J28 to J 46 in the sub-table.
	Table 3.8 Maintenance	This table has been amended so we have to breakdown routine maintenance into c50 categories whereas previously it was 7. This level of breakdown for the value of spend involved seems wholly disproportionate. We currently do not have the ability to record accurately our maintenance costs at this level and would need use an allocation methodology to split the costs. Our recollection is that we have previously agreed to review all of this table when the full details of the asset health methodology have been agreed and approved. We suggest the previous table is utilised until this is finalised.	As above - The table will remain as it is – the categories should not be changed as these link to the asset categories developed by the Safety and Reliability Working Group.
	Table 4.4 Reinforcement	We believe the section from cell J20 has been added to the table in error.	Agree, removed
	Tables 7.2. and 7.4 Interruptions and PREs	We would like to understand what Ofgem has learnt from previous SQs in this area and whether GDNs are reporting consistently. Our own review with other GDNs has identified further improvements could be made to the definitions related to these tables which would improve consistency. Within the RIGs instructions for table 7.4 emergencies non-network related “no trace” is a separate category but is also included within the “other” category. It should be removed from the description of the other category.	Noted. We will consider this as part of any future modification of the RIGs
	Table 7.6 BCF	There are ongoing discussions regarding the	As above - WIP – we are awaiting input from the

		methodology and appropriate assumptions to calculate BCF. We will comment on the details in these discussions. We are keen to ensure that it reconciles to our other existing statutory reporting requirements.	Costs and Outputs (C&O) Working Group on an appropriate way forward. Until we get an agreed approach from the C&O Working Group the table will remain unchanged
	Table 8.1 Complaints	The RIGs should make clear where complaints received by email or social media should be recorded.	No change required. The RIGs are clear that <u>any expression</u> of dissatisfaction should be included within the scope of the Complaints Metric. For the purposes of reporting we have split this into “telephone complaints” and “written complaints”. Social media and email complaints should be recorded in the “written complaints” category (Row 10 of table 8.1 currently states “ <i>Number of written complaints received (including letters, emails, texts)</i> ” – for clarification, we have changed this to include ‘social media’
	RIGS para 12.1	Last sentence on first bullet is now out of date.	Agree, changed
	RIGS para 12.2	Text in this section is out of date as it still refers to year one.	Agree, changed
		<i>Following comments all refer to the definitions set out in Appendix 2</i>	
		Customer - We don’t believe the precise methodology for this has ever been agreed between the GDNs and Ofgem	This definition has been discussed and agreed and has been part of the RIGs since last year. We are happy to review the definition as part of any future modification of the RIGs
		Decommissioning - Incorrectly refers to “service” rather than “main” in third line.	Agree, changed
		De-minimus activity - There is a superfluous line of text starting “GDN comment....	Agree, changed
		Local conditions - Definition is missing	Definition updated to read “Local conditions imposed by a Highway Authority in relation to TMA”

		Non-routine maintenance (excluding integrity based) - Definition is missing but not sure this is required.	Agree, deleted
		Storage - Two separate definitions for the same term	The second definition listed is removed
		Ultimate controller - Licence reference is wrong it should be A3 not A1	Agree, changed
		Appendix 2 para 1.4 - Last bullet refers to transmission business believe this should be distribution business	Agree, changed
		Appendix 5 table A5.1 - The last 12 months has seen the growth of third party intermediaries in the gas connections market. Such companies are not an end customer nor a gas supplier, IGT or UIP. For the purpose of the survey we believe customers who's dealings are with the third party intermediary should be excluded	No change required. These customers were included within the scope of survey for the purposes of target setting and we consider that their views are relevant, we therefore do not intend to exclude them
Scotia Gas Networks	Table 1.6 - Disposals	Columns C & D refer to cost depreciation. We note that land does not depreciate and that under the cost column some of our original costs are not available. We would welcome further discussion with Ofgem to establish what information is required and what can be provided to achieve the outcomes required.	As above - We have removed cells C28 to C46, D28 to D46 and J28 to J 46 in the sub-table.
	Table 3.8 - Maintenance	We note Column A has previously been highlighted as a yellow, but as this is not now the case is cannot be changed. Our conclusion is that this is a minor error on Ofgem's part and should be rectified accordingly.	As above - The table will remain as it is – the categories should not be changed as these link to the asset categories developed by the Safety and Reliability Working Group.
	Table 4.4 - Reinforcement	Columns J to N are extra blocks which are not reflected in the RIGs definitions. We suggest this should be rectified by Ofgem.	Agree, removed
	Table 7.4 - PREs	We consider there may be inconsistencies amongst GDNs about how this data is reported and what is included as a PRE. We would welcome further discussion with Ofgem on how best to take this forward under future reporting requirements.	Noted. We will consider this as part of any future modification of the RIGs
	Table 7.6 - BCF	We consider there should be further discussion with Ofgem about options for collating data under this	As above - WIP – we are awaiting input from the Costs and Outputs (C&O) Working Group on an

		category, as it is currently not clear these data requirements or definitions will achieve Ofgem's objective for measuring appropriate performance across RIIO-GD1. We would be happy to assist with these discussions.	appropriate way forward. Until we get an agreed approach from the C&O Working Group the table will remain unchanged
	Streetworks	We consider the Streetworks table(s) should not be included within the RIGs. This is because Streetworks data is required as a reopener only, and should not be required to be reported as part of our annual RIGs submissions.	The data collected on this table is used for benchmarking purposes
Wales and West Utilities	Table 3.8	This table will be completed on best endeavors basis for the lower 47 asset categories due to the fact the outputs definitions and how these will impact the finance reporting has not yet been addressed through the costs and outputs working group. Some GDNs will have issues with systems and detailed reporting for the 2014/15 and 2015/16 year and therefore, as a sector we will possibly have consistency issues.	As above - The table will remain as it is – the categories should not be changed as these link to the asset categories developed by the Safety and Reliability Working Group.
	Table 4.4	There is a new section added in columns J – N which looks like it relates to connections but table 4.4 is a reinforcement tab. We believe this should be removed.	Agree, removed
	Table 3.13	The GDNs collectively worked on an alternative table 3.13 which better reflects the annual costs of Streetworks at a level consistent and meaningful for all GDNs. The current table 3.13 is reflective of information required for a reopener, but not for annual reporting and inconsistencies can occur as some of this information is not currently collected by GDNs who are not experiencing all new changes in legislation.	We acknowledge the table proposed by the GDNs. We are seeking consistent reporting of data as part of the annual process and for any potential reopener claims hence the need for a common table at the proposed reporting level.
	Tables 6.7 & 6.8	As we have not discussed definitions or agreed RIG's definitions for either of these tables, when we submit as a supplementary to the RRP, please be aware it will be on a best endeavors basis and there is a possibility of inconsistent completion of the tables between the GDNs.	Noted. These tables were removed from the RRP and data for 2014/15 will be collected via a information request. We will liaise with the C&O Working Group.

