

RIO-T1 and GD1 Reopener Consultation – Enhanced Physical Site Security Costs

Consultation

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Overview:

The RIO-T1 price control includes two reopener windows for companies or Ofgem to propose adjustments to revenue allowances for certain categories of costs that were too uncertain to provide ex ante allowances at the time of our Final Proposals.

This document sets out our initial views on the Physical Security Upgrade Programme reopener submissions from National Grid Electricity and Gas Transmission, and Wales and West Utilities.

We welcome the views of interested parties on the issues set out in this document. Responses should be addressed to gasnetworks@ofgem.gov.uk no later than 29 August 2018. Unless clearly marked as confidential, responses will be published on our website. We will consider the response as part of our final determination which we will publish by the end of September 2018.

Context

RIIO-T1 and GD1 were the first price controls to reflect the new RIIO (Revenue = Incentives + Innovation + Outputs) model. The RIIO-T1 price control sets the outputs that the electricity and gas transmission network companies need to deliver for consumers and the associated revenues they are allowed to collect for the eight year period from 1 April 2013 until 31 March 2021.

For cost categories where there was significant uncertainty about expenditure requirements at the time of setting allowances, the price controls include a “reopener” mechanism. The mechanism allows network companies to propose adjustments to baseline expenditure allowances for these costs when there is more certainty. The reopener mechanism specifies two windows during which adjustments to allowances may be proposed – one in May 2015 and the other in May 2018.

We have received reopener submissions for following cost categories:

- One-off Asset Health Costs (Feeder 9)
- Industrial Emissions Costs
- Enhanced Security Costs
- Enhanced Physical Site Security Costs
- Quarry and Loss Development Claim Costs
- Street Works Costs

The reopener process fits into priorities 3 and 4 of the 2018-2019 [Ofgem Corporate Strategy](#).

We are required to make a determination by 30 September 2018 on any application received through the reopener process.

Associated documents

[Informal consultation on RIIO-1 price control reopeners \(May 2018\)](#)

[2015 Enhanced Physical Site Security Costs consultation](#)

[National Grid Gas Plc \(NTS\) Gas Transporter Licence, Special Conditions](#)

[National Grid Electricity Transmission Plc, Special Conditions](#)

[Wales and West Utilities Limited \(WWU\), Special Conditions](#)

[RIIO-T1: Final Proposals for National Grid Electricity Transmission and National Grid Gas](#)

[RIIO-T1: Initial Proposals for National Grid Electricity Transmission and National Grid Gas](#)

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Executive Summary

The Physical Security Upgrade Programme (PSUP) is designed to enhance the physical security of sites deemed Critical National Infrastructure (CNI) by the government.

Due to the uncertainty around the requirements for this work, no ex ante allowance was given in either RIIO-T1 or RIIO-GD1. During the first reopener window in May 2015, we allowed National Grid Electricity Transmission (NGET) £287.9m and National Grid Gas Transmission (NGGT) £160.1m.¹

In the May 2018 reopener window we received submissions from NGET, NGGT and Wales and West Utilities (WWU). The requested adjustments to price control allowances and our proposed adjustments are set out in Table 1.

Table 1: Summary of funding requests and proposed allowances.

Licensee	Requested adjustments to allowances	Proposed adjustment
NGET	£64.7m reduction	£68.4m reduction
NGGT	£23.8m increase	£0.0m (£7.8m prior to applying materiality threshold)
WWU	£15.4m increase	£14.9m increase

If confirmed by us in our final decision, these costs will then be paid by consumers through the networks charges element of their energy bills.

We are proposing to reduce NGET and NGGT's requested allowances to deliver physical security at additional sites. The most material reductions are for project management and risk costs.

The outcome of our assessment for NGGT results in the proposed allowance falling below its £14.5m materiality threshold for this reopener. Therefore, we are proposing to reject NGGT's request for additional allowed expenditure at this time. However, we will consider the efficient costs incurred at the end of the price control for inclusion in RIIO-GT2 (ie the next price control) in line with our policy in this area.

Next steps

This consultation will close on 29 August 2018. Please send in your response by emailing us at gasnetworks@ofgem.gov.uk.

¹ All costs in this document are reported in the 2009/2010 price base, unless otherwise stated.

In proceeding with a 21-day consultation we welcome engagement from interested stakeholders during the consultation period. The shorter period is driven by the licence requirement to conclude by the end of September and the time we need to respond more fully to comments made in the consultation, engage with interested stakeholders and revise our analysis if required.

Our decision will be implemented through the 2018 Annual Iteration Process, any adjustment to allowed revenues will take effect from 2019/20.

1. Introduction

1.1. As owners of electricity and gas transmission and distribution assets in Great Britain, the network operators licensed by Ofgem are responsible for a number of assets that are deemed by government as Critical National Infrastructure (CNI).

1.2. Working with the responsible government department, ie the Department for Business, Energy and Industrial Strategy (BEIS), network operators agree and implement the Physical Security Upgrade Programme (PSUP), which involve measures required to enhance physical security at CNI sites.

1.3. At the time of setting the RIIO-T1 and RIIO-GD1 price controls in 2012, there was some uncertainty about the list of sites that require security upgrades and the scope of works required at each site. As a result, we did not include an allowance for the PSUP programme in the baseline allowances. We created an uncertainty mechanism, ie the reopeners, to provide an opportunity for companies to make applications for additional funding when there is greater certainty about the work required and the costs. There are two reopener windows: May 2015 and May 2018.

1.4. In the May 2015 reopener we received applications from:

- NGET – requesting £343.5m of additional allowances, we allowed £287.9m
- NGGT – requesting £187.6m of additional allowances, we allowed £160.1m


1.5. WWU did not submit a funding request in May 2015 due to the high level of uncertainty around the likely cost of its programme of works.

1.6. Following the May 2015 reopener window each of the network operators has carried out a review of the scope and delivery requirements at each site and continued discussions to refine the list of CNI sites with the government.

1.7. We have now received submissions in the May 2018 reopener window from National Grid Electricity Transmission (NGET), National Grid Gas Transmission (NGGT) and Wales and West Utilities (WWU). These reflect the updated requirements of the PSUP programme and its associated costs.

1.8. The submissions to Ofgem contain sensitive information that cannot be placed in the public domain. Non-confidential versions of the submissions are published alongside this consultation.

1.9. The rest of this document:



RIIO-T1 and GD1 Reopener Consultation – Enhanced Physical Site Security Costs

- Summarises the funding requests we have received for the May 2018 reopener.
- Sets out our assessment methodology.
- Presents our minded-to position for each submission.

2. Our assessment of the submissions

Chapter Summary:

Here we summarise the requests for additional expenditure allowances that we have received from NGET, NGGT and WWU as part of the May 2018 reopener window for Physical Security Upgrade Programme. Then we describe our assessment and our proposed adjustments to expenditure allowances for each submission.

Question box

We are interested in your views on these questions:

Question 1: Do you agree with our assessment approach?

As part of your response please consider:

- Our approach to Project Management costs
- Our approach to Risk costs

Question 2: Do you agree with the outcome of our assessment?

As part of your response please consider:

- Our proposed adjustment on specific work costs
- Our proposed adjustment for NGGT development costs
- The application of the materiality threshold

Summary of reopener submissions

2.1. As part of the May 2018 reopener window we have received:

- **NGET** – submission under Special Condition 6H of NGET’s electricity transmission licence, seeking a net reduction to allowances of £64.7m. NGET has proposed a reduction of £73.9.0m for sites that were previously funded as part of the 2015 reopener, but no longer need to be protected. It has also requested an additional £9.2m for new sites identified as needing protection since the 2015 reopener.
- **NGGT** – submission under Special Condition 5E of NGGT’s gas transporter licence, seeking a net increase to allowances of £23.8m. NGGT has proposed a reduction of £18.1m for sites that were previously funded as part of the 2015 reopener, but no longer need to be protected. It has also requested an additional £41.9m for new sites identified as needing protection since the 2015 reopener.

- **WWU** – submission under Special condition 3F of WWU’s gas transporter licence, seeking an allowance of £15.4m to protect sites that are shared with NGGT, for which responsibility for protection lies with WWU.

Our approach to the assessment

2.2. Our assessment of the funding requests is split into three parts:

- **Funding being returned for sites that no longer need protection:** our approach has been to cross check the submission against the 2015 funding decision on a site-by-site basis to ensure that the amounts match the allowances given in 2015.
- **Additional allowances requested for sites that need protection:** our approach has assessed whether the licensees have sufficiently demonstrated that the proposed costs are reasonable and efficient. We have focused on project management and risk costs as this was the area where we considered costs to be least justified.
- **Allowance requested for development work at sites forecast to be completed in RIIO-2:** our approach has assessed whether the licensees have sufficiently demonstrated that the proposed costs are reasonable and efficient.

Value for Money audits

2.3. For the May 2015 reopener we employed the services of Harnser to provide an independent assessment of the companies’ RIIO-T1 and RIIO-GD1 reopener claims called a Value for Money (VFM) audit.

2.4. We requested that the consultant review the costs incurred relating to:

- Project management
- General items and preliminaries
- Scope of works required to meet the PSUP requirements

2.5. As part of our decision we placed a requirement for all funding requests for enhanced physical security work to be accompanied by a VFM audit report. However, following our decision Harnser went into administration.

2.6. In January 2018 we took the decision to remove VFM audit requirement for the May 2018 reopener window. This was on the basis that the scope of works (and funding requested) was likely to be significantly lower than that requested under the 2015 window. Works covered by the 2018 submission are mainly related to shared sites, along with sites that have been newly designated by BEIS since the 2015 reopener.

2.7. As part of the May 2018 reopener we expected licensees to provide sufficient information within the submissions to demonstrate that expenditure incurred, or expected to be incurred, is efficient.

2.8. We have adopted a proportionate approach this time to reflect the reduced size of the funding claim relative to the May 2015 funding request and the time available under the reopener licence conditions.

2.9. The assessment has mainly focused on validating cost estimates included in the submissions and scrutinising the robustness of the supporting narrative. This is to demonstrate that any allowances requested are underpinned by reasonable assumptions and reflect accurate and efficient costs.

2.10. The initial conclusions set out below reflect the cost assessment process and our initial view of the allowance that we deem to be proportionate to work undertaken.

Funding being returned for sites no longer required

2.11. In the May 2015 re-opener decision we set out NGET and NGGT’s allowances to develop and deliver the PSUP solution across a portfolio of sites. WWU did not make a submission during this window given the high level of uncertainty around the likely cost of its programme of works.

2.12. Now that the government (through the Centre for the Protection of National Infrastructure, CPNI) and the network operators have reviewed and reduced the list upon which the May 2015 allowances were set, we need to decide the appropriate adjustments to NGET and NGGT’s total expenditure (totex) allowances for the costs they no longer need to incur.

NGET

2.13. As part of the May 2015 reopener, NGET was provided £287.9m of allowances to deliver a programme of physical security enhancements across a portfolio of ET CNI sites within RIIO-T1 timescales.

2.14. NGET’s 2018 submission proposes an allowance reduction of £73.9m for the 11 sites that no longer need enhanced physical security. The adjustment includes

reducing operational expenditure by £0.5m and retaining £0.6m of incurred and forecast development costs.

2.15. We have been able to reconcile the 2015 allowances for all of these sites and accept the majority of NGET's proposed adjustment. We propose a further reduction of £0.1m for forecast development costs as NGET has not justified the need to incur these costs. Therefore, our initial view is to reduce NGET's allowances by £74.0m.

NGGT

2.16. In May 2015 NGGT was allowed £160.1m to deliver a programme of physical security enhancements across a portfolio of gas transmission CNI sites within RIIO-T1 timescales.

2.17. NGGT's submission proposes a reduction to allowances of £18.1m for seven sites that no longer need enhanced physical security. We have been able to reconcile the 2015 allowances for all of these sites and propose to accept NGGT's suggested adjustment.

Additional sites funding request

2.18. This section summarises our assessment and initial views on NGET, NGGT and WWU's requests for additional allowances to deliver enhanced physical security at additional CNI sites.

2.19. The first stage of our assessment reviewed the detailed cost breakdown provided by each of the networks operators. Based on our findings we adjusted the requested allowances for specific work areas where we did not agree the costs should be included in the submission.

2.20. The second stage of our assessment was to review the Project Management (PM) costs and risk included in the reopener. Any reductions to allowances for PM and risk were applied after the adjustments from the first stage were made.

2.21. For clarity we present our assessment in the same order in which the adjustments are made.

Adjustments to specific areas of work

2.22. We describe the proposed reductions to the requested allowances for specific areas of work for NGET and NGGT below.

2.23. Each work area was reviewed to ensure the submission did not contain any errors, the costs were efficient and qualified for the reopener.

NGET and NGGT

2.24. **Cabling and communications** - We propose not to allow NGET's costs of £0.4m associated with the "Cabling and Communications" category of work. NGET has not sufficiently justified that this additional cost (attributable to "under scoping" of supplier costs) is needed or that the value is efficient.

2.25. **Minor costs** - We propose not to allow any of NGET's £0.1m and NGGT's £0.6m request for the category entitled "Minor costs". We do not consider that the reports provide clear evidence that these telecommunication costs are directly attributable to the PSUP activities and think that there is possible duplication with telecoms business support costs given this work is to connect sites to NGET and NGGT's secure network.

2.26. **General items & preliminaries** - In our May 2015 decision we reduced NGET and NGGT's requested allowances for General Items & Preliminaries (GIP) by 52% given the costs were substantially higher than for other network operators.

2.27. The May 2018 reopener submissions are not supported by VFM audit reports so we are unable to compare the average weekly GIP costs as we did in 2015. Instead we have determined that, based on the 2015 allowances, the efficient cost of GIP for NGET was approximately 7% of the total project costs and 8% of the total project costs for NGGT. We think this is an appropriate approach to determine a benchmark given the works that are required at these additional sites are similar to those funded as part of the 2015 reopener. NGET and NGGT have not demonstrated that any of the additional sites proposed present any unique circumstances that would justify additional costs associated with GIP.

2.28. NGET's GIP costs contribute to 14% of the total project cost. Therefore, we propose reducing GIP costs from £1.2m to £0.6m.

2.29. NGGT's GIP costs contribute to 12% of the total project cost. Therefore, we propose reducing GIP costs from £4.6m to £3.2m.

2.30. **Summary** - In total we propose to reduce the total project costs by £1.1m for NGET and £2.0m for NGGT. This is reflected in "Contractor costs (excl PM and Risk)" and "Minor costs" in Table 1.

WWU

2.31. WWU provided a detailed breakdown of actual and forecast costs across all six sites. Following our assessment WWU has justified all cost areas and we don't propose to make any adjustment to specific work activities.

Project Management costs (NGET, NGGT and WWU)

2.32. NGET's own PM costs in isolation are 8% of the total project costs and its contractors are 22%. Overall NGET's PM costs are 30% of the total project cost.

2.33. NGGT's own PM costs in isolation are 7% of the total project costs and its contractors are 23%. Overall NGGT's PM costs are 30% of the total project cost.

2.34. WWU have total PM costs of 18%, with WWU's own PM costs at 11% of the total project cost and contractor PM costs at 7%.

2.35. We consider that the total PM costs for all three network operators to be high. Therefore, we are proposing adjustments to the requested allowances. We set out our rationale below.

2.36. The 2015 reopener analysis concluded that NG's PM costs were, on average, around 25% of total project costs. This reflected NG's approach of engaging a PM company to manage the projects rather than carrying out this work in-house. NG did not provide clear evidence that the additional costs were due to a specific CNI requirement rather than a NG decision. Our assessment also showed that other network operators did not have such high PM costs. We allowed project management costs of 15% of the total project cost as part of the original May 2015 re-opener decision.

2.37. In 2018, we would expect to see a reduction in the total PM costs to reflect experience gained and also a reduction in the likelihood of projects over-running and reduced delays between site commissioning and project handover.

2.38. In our 2015 consultation we had received views from Parsons Brinkerhoff that project management costs for capital projects within the electricity transmission sector would typically be between 2.5% and 4%.²

2.39. As part of this reopener we have received a view from Frazer Nash Consulting (FNC) that the total PM costs (including any contractors) for civils projects would typically be between 5% and 15%.

2.40. Further to this as part of our 2015 reopener we observed that other network operators were able to deliver programmes of work for between 3% and 10%.

2.41. As part of the reopener submissions in 2015 and 2018 we have observed the proportion of NG's project management costs against the total project costs for PSUP works since 2012. These have reduced from 33% in TPCR4 rollover (2012-2013) to 25% in 2015 and now to 7% in 2018. However, we also observe that NG's contractor

² [2015 Enhanced Physical Site Security Costs consultation](#)

PM costs rose significantly from 18% in TPCR4 rollover to 29% in 2015 and then dropped slightly to 24%.

2.42. While we recognise that NG has made progress in reducing the requested allowance for PM costs as a percentage of the total project costs, we are still of the view that these costs are significantly above our expectations for a civils project.

2.43. In particular, we would note that WWU has adopted a strategy that brings a significant amount of PM activities in house resulting in contractor PM costs of 7%, substantially below those of NG (24%). This demonstrates that the PM costs will vary significantly depending on the procurement strategy adopted.

2.44. Therefore, in our view it is equally appropriate to scrutinise the contractor PM costs given they are dependent on the procurement strategy adopted which NG has recently reviewed.

2.45. We also consider that the PM costs for WWU are slightly higher than we would expect for a civils project at 18% of the total project costs. WWU has claimed significant efficiency savings through its procurement process and by re-using 60% of existing fencing at this site. It argues that this has reduced the total project costs and, hence, increased the relative proportion of PM costs.

2.46. We recognise the efficiencies that WWU has realised but we would expect this as part of any programme of work WWU undertakes. Additionally, these efficiency gains would also reduce construction time and in turn reduce the time needed on PM activities. Hence, we don't view efficiency gains as sufficient justification for an increased proportion of PM costs.

2.47. Our initial view is to reduce the total PM cost (network operator plus contractor) to 15% of the total project cost after taking account of the specific adjustments discussed in the previous section 2.24 to 2.30. This value is consistent with our 2015 decision and our initial view for other 2018 reopener consultations. This results in a reduction to the requested PM allowance from £2.6m to £0.9m for NGET, £12.0m to £3.8m for NGGT and £2.7m to £2.2m for WWU (see Table 1).

2.48. We think that this is a consistent approach and allows network operators to develop a procurement plan that is most suitable to their requirements rather than creating an incentive to shift the PM costs to a contractor and potentially increasing overall project costs.

Risk costs (NGET, NGGT and WWU)

2.49. As part of the May 2018 reopener submissions we have reviewed the requested allowance for project risk. For NG and WWU the risk element is split into contract risk and the network operators' risk.

NGET and NGGT

2.50. The total project risk costs across NGET sites that require further protection are 15% of the total project costs. This is made up of both NGET's own risk and contractor risk.

2.51. The total project risk costs across NGGT sites that require further protection are 18% of the total project costs. This is made up of both NGET's own risk and contractor risk.

2.52. We have concerns that the project risk costs for NG are significantly higher than would be expected for a civils project.

2.53. We have taken two approaches to determine the efficient project risks costs:

- Take a view on the appropriate project risk costs as a percentage of the total project costs.
- Carry out a line-by-line review of the risk logs provided to determine the efficient project risk costs.

2.54. While we recognise there are some risks faced by companies when carrying out the PSUP activities, we consider that NG has not sufficiently explained the manner in which the risk profiles and quantitative values have been derived. NG has also not explained how the risk has subsequently been adjusted to reflect the substantial experience gained from the delivery programme to date and the efficiency savings it has applied. Finally, the submissions don't adequately consider mitigation activities or potential opportunities that could be realised.

2.55. This is a minor civil works project, as such we would not expect the risk allowance for such projects to be more than 10% of the total project costs. NG has significant previous experience in carrying out physical security upgrade works, and we expect NG to bring this experience to bear in managing project risks effectively.

2.56. We have carried out a line by line review of the risk logs, removing items where we consider the justification for the risk to be unclear and/or which describe an area that we consider to be associated with planning and, therefore, where it is reasonable to expect mitigation measures to exist. Taking this approach reduces the risk to 9% for NG's total project costs.

2.57. We do not consider the current cost estimate under NG's risk model to be efficient and we are proposing to reduce the risk costs to 10% of the total costs. This reduces NGET's allowance request for risk from £1.3m to £0.5m and NGGT's from £7.4m to £2.5m. Our benchmark is slightly more generous in setting allowances than our bottom up approach and our 2015 decision³ but we think this is appropriate for

³ In our 2015 decision we gave a 5% allowance for project risks (technical variations).

consistency with other reopeners of a similar nature and the information submitted by WWU.

WWU

2.58. WWU’s own risk costs are 2% of the total project costs. WWU has stated that it does not have details of contractors risk costs as these are included within the contractors fees (ie overheads) which is 9% of the total project costs. For our assessment we have taken a conservative assumption that half of the contractors fees are risk costs (5%). Therefore, we estimate the total project risk costs across WWU’s sites that require further protection are approximately 7% of the total project costs.

2.59. We do not propose to adjust WWU’s requested allowance for risk as we consider it to fall below 10% of the total project costs.

Summary of allowances for additional sites

2.60. Table 1 shows the estimated values of costs to be incurred within the financial years between now and the end of RIIO-1 (31 March 2021) and our proposed adjustments.

Table 1: Summary of NGET, NGGT and WWU’s cost estimates and our proposed allowances in £m for additional sites.

£m (2009/10 price base)	NGET view	Ofgem view	NGGT view	Ofgem view	WWU view	Ofgem view
Project costs (excl PM and Risk)	5.1	4.1	20.2	18.8	12.3	12.3
Contractor Project Management costs	1.9	0.6	9.0	2.8	1.0	0.8
Licensee Project Management costs	0.7	0.4	3.0	1.0	1.7	1.4
Contractor Risk	0.3	0.1	1.1	0.4	N/A	N/A
Licensee Risk	1.1	0.4	6.3	2.1	0.4	0.4
Minor costs	0.1	0.0	0.6	0.0	0.0	0.0
TOTAL	9.2	5.6	40.3	25.1	15.4	14.9

An additional shared site (NGGT)

2.61. NGGT has requested £1.5m for a shared site where a gas distribution network operator (GDN) will be delivering the solution but NGGT is liable for a proportion of the costs as it owns some of the site footprint. NGGT has not been provided forecast costs from the GDN so has estimated the costs of delivering the PSUP solution to be £5.2m using the same method to determine the costs at its other shared sites.

2.62. We propose to reduce NGGT’s requested allowances for this site using the same method as we set out in the previous section, ie making adjustments for project management and risk costs. The results in a £0.6m reduction from NGGT’s £1.5m request to £0.9m.

Additional allowance for development work (NGGT)

2.63. NGGT has requested £0.12m of additional allowances for initial development work at three sites that are due to be delivered in RIIO-2. We propose not to allow this request as it is not clear what this work will deliver and therefore why it is needed.

3. Our initial view

Summary of proposed allowance adjustment

Proposed funding

3.1. Following our assessment, our initial view is to adjust allowances for each network operator as set out in Table 2 below. Our proposed adjustments to the annual allowance profiles for each network operator are set out in Appendix 1.

Table 2: NGET, NGGT and WWU’s funding request and our proposed adjustment

Licensee	Funding category	Allowance adjustment requested	Our view
NGET	Sites no longer required	£73.9m reduction	£74.0m reduction
	Additional sites	£9.2m	£5.6m
	Development work	N/A	N/A
	Total (aggregate)	£64.7m	£68.4m
NGGT	Sites no longer required	£18.1m reduction	£18.1m reduction
	Additional sites	£40.3m	£25.1m
	Additional site X	£1.5m	£0.8m
	Development work	£0.1m	£0.0m
	Total (aggregate)	£23.8m	£0.0m (£7.8m prior to materiality threshold)
WWU	Sites no longer required	N/A	N/A
	Additional sites	£15.4m	£14.9m
	Development work	N/A	N/A
	Total	£15.4m	£14.9m

3.2. We are proposing to reject NGGT’s reopener submission on the basis that our proposed adjustment of £7.8m for the efficiently incurred costs and costs expected to incurred do not meet its materiality threshold £14.5m. Consequently, we do not propose to make any adjustments to NGGT’s allowance as part of this reopener.

3.3. We recognise the need for NGGT to carry out this work and that work is of high importance to the network. In our RIIO-T1 Final Proposals, we said that “if costs have not reached, or are not forecast to reach, the materiality threshold by the second reopener window we will assess additional costs as part of the next price control review”⁴. In line with this statement, we will consider providing an allowance

⁴ pg 19, [RIIO-T1: Final Proposals for National Grid Electricity Transmission and National Grid](#)

for efficient costs incurred in the RIIO-T1 period for NGGT’s enhanced physical site security as part of the RIIO-T2 process.

3.4. Next steps

3.5. This consultation will close on 29 August 2018. Please send in your response by emailing us at gasnetworks@ofgem.gov.uk.

3.6. In proceeding with a 21-day consultation we welcome engagement from interested stakeholders during the consultation period. The shorter period is driven by the licence requirement to conclude by the end of September and the time we need to respond more fully to comments made in the consultation, engage with interested stakeholders and revise our analysis if required.

3.7. Our decision will be implemented through the 2018 Annual Iteration Process, any adjustment to allowed revenues will take effect from 2019/20.

Appendix 1 - Allowance Profile

Table 3: NGET May 2018 reopener - Enhanced Physical Site Security Costs proposed adjustment to annual allowance profile.

NGET £m (09/10 price base)	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	Total
Existing allowances	17.48	25.55	17.20	39.02	60.62	75.65	45.42	6.95	287.89
Requested allowance	17.58	25.55	17.29	37.12	51.42	42.75	21.49	10.01	223.21
Requested adjustment	0.10	0.00	0.09	-1.90	-9.20	-32.90	-23.93	3.06	-64.68
Ofgem proposed allowance	17.58	25.55	17.17	37.12	51.42	42.75	20.11	7.71	219.41
Ofgem proposed adjustment	0.10	0.00	0.09	-1.90	-9.20	-32.90	-25.31	0.76	-68.48

Table 4: WWU May 2018 reopener - Enhanced Physical Site Security Costs proposed adjustment to annual allowance profile.

WWU £m (09/10 price base)	17/18	18/19	19/20	20/21	Total
Existing allowances	0.00	0.00	0.00	0.00	0.00
Requested adjustment	15.38	0.00	0.00	0.00	15.38
Ofgem proposed adjustment	14.91	0.00	0.00	0.00	14.91

Appendix 2 - Feedback on this consultation

How to respond

1.1 We want to hear from anyone interested in this consultation. Please send your response to the person or team named on this document's front page.

1.2 We've asked for your feedback in each of the questions throughout. Please respond to each one as fully as you can.

1.3 We will publish non-confidential responses on our website at www.ofgem.gov.uk/consultations, and put it in our library.

Your response, data, and confidentiality

1.4 You can ask us to keep your response, or parts of your response, confidential. We'll respect this, subject to obligations to disclose information, for example, under the Freedom of Information Act 2000, the Environmental Information Regulations 2004, statutory directions, court orders, government regulations or where you give us explicit permission to disclose. If you do want us to keep your response confidential, please clearly mark this on your response and explain why.

1.5 If you wish us to keep part of your response confidential, please clearly mark those parts of your response that you *do* wish to be kept confidential and those that you *do not* wish to be kept confidential. Please put the confidential material in a separate appendix to your response. If necessary, we'll get in touch with you to discuss which parts of the information in your response should be kept confidential, and which can be published. We might ask for reasons why.

1.6 If the information you give in your response contains personal data under the General Data Protection Regulations 2016/379 (GDPR) and domestic legislation on data protection, the Gas and Electricity Markets Authority will be the data controller for the purposes of GDPR. Ofgem uses the information in responses in performing its statutory functions and in accordance with section 105 of the Utilities Act 2000. Please refer to our Privacy Notice on consultations.

1.7 If you wish to respond confidentially, we'll keep your response itself confidential, but we will publish the number (but not the names) of confidential responses we receive. We won't link responses to respondents if we publish a summary of responses, and we will evaluate each response on its own merits without undermining your right to confidentiality.