ofgem
Making a positive difference
for energy consumers

RIIO-2 Final Determinations – WWU Annex (REVISED)

Publication date	03 February 2021	**Contact:**	RIIO Team
		Team:	Network Price Controls
		Tel:	020 7901 7000
		Email:	RIIO2@ofgem.gov.uk

Our aim for the RIIO-2 price controls is to ensure energy consumers across GB get better value for money, better quality of service and environmentally sustainable outcomes from their networks.

In 2019, we set out the framework for the price controls in our Sector Specific Methodology Decision. In December 2019, Transmission and Gas Distribution network companies and the Electricity System Operator (ESO) submitted their business plans to Ofgem setting out proposed expenditure for RIIO-2. We assessed these plans and published our consultation on Draft Determinations in July 2020.

This document, and others published alongside it, set out our Final Determinations for companies under the RIIO-2 price control, which will commence on 1 April 2021.

Any enquiries related to the text of this publication should be sent to Ofgem at:

10 South Colonnade, Canary Wharf, London, E14 4PU. Alternatively, please call Ofgem on 0207 901 7000.

This publication is available at www.ofgem.gov.uk. Any enquiries regarding the use and re-use of this information resource should be sent to: psi@nationalarchives.gsi.gov.uk

Contents

1. Introduction and overall package **4**
Purpose of this document 4
An overview of WWU's RIIO-2 price control 5
2. Setting outputs **10**
Introduction 10
Meeting the needs of consumers and network users 10
Maintaining a safe and resilient network 11
Delivering an environmentally sustainable network 15
3. Setting baseline allowances **16**
Introduction 16
Baseline allowances 16
Regression Analysis 18
Non-regression Analysis 27
Technically assessed costs 30
Non totex cost items 32
4. Adjusting baseline allowances for uncertainty **33**
Introduction 33
GD Sector uncertainty mechanisms 33
5. Innovation **36**
Introduction 36
6. Business Plan Incentive (BPI) **38**
Stage 1 – Minimum requirements 38
Stage 2 – Consumer Value Propositions 38
Stage 3 39
Stage 4 39
Appendices **41**
Appendix 1 – Rationale for Ofgem's decisions on WWU's proposed bespoke outputs, BPI Stage 2 CVPs and UMs 42

1. Introduction and overall package

Purpose of this document

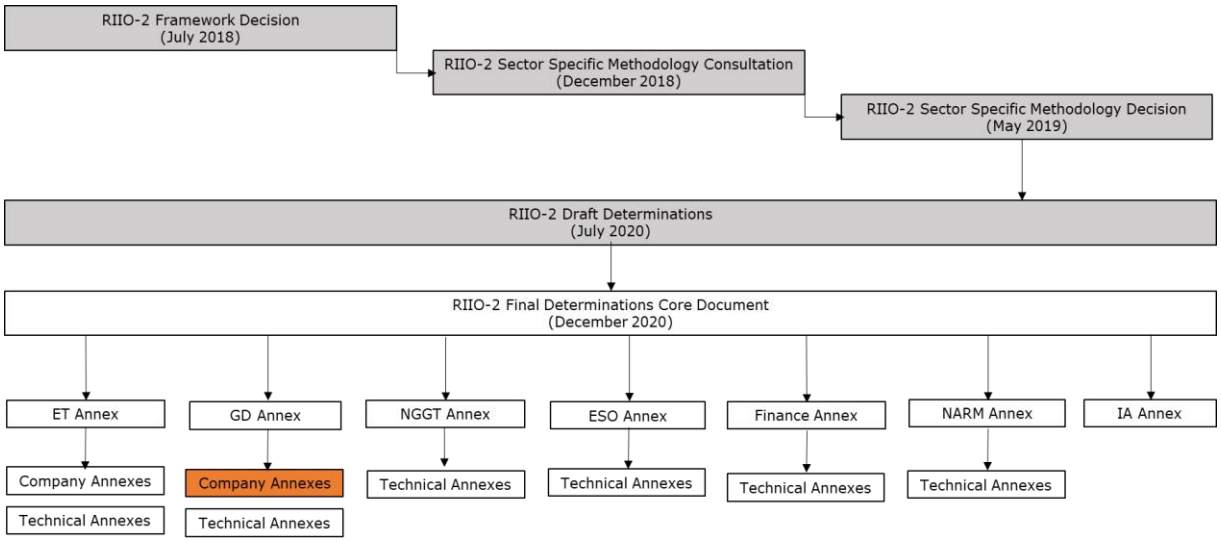
1.1 This document sets out our Final Determinations for the Gas Distribution (GD) price control (RIIO-GD2) for the areas that are specific to WWU focusing on its:

- baseline cost allowances
- output package, including Licence Obligations (LOs), Output Delivery Incentives (ODIs)[1] and Price Control Deliverables (PCDs)
- Consumer Value Propositions (CVPs)
- Uncertainty Mechanisms (UMs)
- the level of Network Innovation Allowance (NIA).

1.2 All figures are in 2018/19 prices except where otherwise stated.

1.3 This document should be read alongside the RIIO-2 Final Determinations Core Document (Core Document) and the RIIO-2 Final Determinations – Gas Distribution Sector Annex (GD Annex). Figure 1 sets out where you can find information about other areas of our RIIO-2 Final Determinations.

Figure 1: RIIO-2 Final Determinations documents map



[1] ODIs can be reputational (ODI-R) or financial (ODI-F).

An overview of WWU's RIIO-2 price control

1.4 This section brings together the key aspects of WWU's RIIO-2 Final Determinations.

1.5 We present a summary of WWU's baseline totex[2] in Table 1. This reflects our view of efficient costs including ongoing efficiency over RIIO-GD2. For further details of any values, please refer to Chapter 3.[3]

Table 1: WWU's submitted versus allowed baseline totex[4] (RIIO-GD2 total, £m, 2018/19 prices)

Network company	Submitted totex Dec 19	Resubmitted totex Sept 20	DD position	FD decision	FD vs. Sept 20 baseline request (£m, %)	
WWU	1,182	1,203	997	1,157	-47	-3.9%

1.6 Table 2 sets out the package of outputs that will apply to WWU during RIIO-2. Further details are contained within Chapter 2[5] and GD Annex Chapter 2. For further details of our decisions on the bespoke proposals in WWU's Business Plan see Appendix 1.

Table 2: RIIO-2 outputs package for WWU

Output name	Output type	Companies applied to	Final Determination section
Common outputs			
Meeting the needs of consumers and network users			
Consumer vulnerability minimum standards	LO	All	GD Annex
Consumer vulnerability reputational incentive	ODI-R	All	GD Annex
Vulnerability and carbon monoxide allowance	UIOLI output[6]	All	GD Annex
Fuel Poor Network Extension Scheme	ODI-R and capped volume driver	All	

[2] Baseline totex refers to total controllable costs (this excludes BPI, RPEs, pass-through costs and includes ongoing efficiency).
[3] Where the source document is not stated, we are referring to this document (Final Determinations – WWU Annex, abbreviated to WWU Annex).
[4] Baseline totex refers to total controllable costs (this excludes BPI, RPEs, pass-through costs and includes ongoing efficiency).
[5] Where the source document is not stated, we are referring to this document (SGN Annex).
[6] The Vulnerability and Carbon Monoxide Allowance is a UIOLI but has output status.

Output name	Output type	Companies applied to	Final Determination section
Customer satisfaction survey	ODI-F	All	
Complaints metric	ODI-F	All	
Guaranteed Standards of Performance (GSOPs)	LO[7]	All	
Emergency response time	LO	All	
Unplanned interruptions	ODI-F	All (except Cadent North London)	
Digitalisation Strategy and Action Plan	LO	All	Core Document
Data Best Practice	LO	All	
Maintain a safe and resilient network			
Repex - tier 1 mains replacement	PCD	All	GD Annex
Repex - tier 1 services	PCD	All	
Gas holder demolitions	PCD	All	
Network Asset Risk Metric	PCD and ODI-F	All	NARM Annex
Capital projects	PCD	All	GD Annex
Cyber resilience Operational Technology (OT)	UILOI and PCD	All	Core Document Confidential annexes
Cyber resilience IT	PCD	All	
Deliver an environmentally sustainable network			
Shrinkage and environmental emissions	ODI-F and ODI-R	All	GD Annex
Commercial Fleet EV PCD	PCD	All	
Environmental action plan and annual environmental report	LO and ODI-R	All	Core Document, GD Annex
Business Carbon Footprint (BCF) reporting	ODI-R	All	Core Document

1.7 We set out the UMs that will apply to WWU during the RIIO-2 price control period in Table 3 (further detail is in Chapter 4, and Chapter 4 of the GD Annex).

[7] GSOPs are set out in statutory instruments due to the requirement for network companies to make direct payments to their customers. Some GSOPs also have accompanying target pass rates (percentage of times the standard has been met). These are set out in the licence to provide additional protection to customers.

Table 3: RIIO-2 Uncertainty Mechanism package for WWU

Uncertainty Mechanism	UM type	Companies applied to	Final Determination section
Cross-sector			
Bad Debt	Pass-through	All	Finance Annex
Business Rates	Pass-through	All	Not covered (no change from decision made at SSMD)
Ofgem Licence Fee	Pass-through	All	
Pensions (pension scheme established deficits)	Re-opener	All	
Coordinated Adjustment Mechanism	Re-opener	All	Core Document
Cyber resilience OT	UIOLI allowance and re-opener	All	
Cyber resilience IT	Re-opener	All	
Non-operational IT and Telecoms Capex	Re-opener	All	
Physical Security (PSUP)	Re-opener	All	
Tax Review	Re-opener	All	Finance Annex
Net Zero	Re-opener	GT, GD, ET	Core Document
Net Zero Pre-construction and Small Projects	Re-opener	GD, GT	
Net Zero and re-opener development	UIOLI	GT, GD, ET	
Cost of debt indexation	Indexation	All	
Real Price Effects	Indexation	All	
Cost of equity indexation	Indexation	All	Finance Annex
Inflation Indexation of RAV and Allowed Return	Indexation	All	
GD specific			
Pension deficit charge adjustment	Pass-through	All GDNs	GD Annex
Third-party damage and water ingress	Pass-through	All GDNs	
Miscellaneous pass-through	Pass-through	All GDNs	
Gas Transporters share of Xoserve costs	Pass-through	All GDNs	
Theft of gas (supplier responsible)	Pass-through	All GDNs	
Shrinkage	Pass-through	All GDNs	
NTS exit capacity	Pass-through	All GDNs	
Repex – Tier 2A iron mains	Volume driver	All GDNs	
Repex – HSE policy changes	Re-opener	All GDNs	
Repex - Tier 1 iron stubs	Re-opener	All GDNs	
Repex - Pipeline Diversions (non Rechargeable) and Loss of Development Claims	Re-opener	All GDNs	

Uncertainty Mechanism	UM type	Companies applied to	Final Determination section
Multi occupancy buildings (MOBs) safety	Re-opener	All GDNs	
Heat policy	Re-opener	All GDNs	
Domestic connections	Volume driver	All GDNs	
New large load connection(s)	Re-opener	All GDNs	
Smart meter rollout costs	Re-opener	All GDNs	
Specified streetworks	Re-opener	All GDNs	
Fuel Poor Network Extension Scheme (FPNES)	Re-opener	All GDNs	

1.8 We have decided to set WWU's RIIO-2 NIA funding at £13.3m (further details can be found in Chapter 5).

1.9 Table 4 summarises the outcome of WWU's RIIO-2 BPI performance for each of the four stages and sets out where to find additional information.

Table 4: RIIO-2 BPI performance for WWU

BPI Stage	Outcome	Further detail
1	Pass	Chapter 6 and Core Document (Chapter 10)
2	£0m	
3	£0m	
4	£0m	
Overall	No reward or penalty	

1.10 We have decided to set WWU's RIIO-2 Totex Incentive Mechanism (TIM) sharing factor for WWU at 50%. Further details about the TIM can be found in Chapter 6 and in Chapter 10 of the Core Document.

1.11 Table 5 summarises the financing arrangements that we have decided to apply to WWU. Please refer to the Finance Annex for more detail on these areas.

Table 5: RIIO-2 financing arrangements for WWU[8]

Finance parameter	WWU rate	Source
Notional gearing	60%	Finance Annex
Cost of Equity	4.55%	
Expected outperformance	0.25%	
Allowed return on equity	4.30%	
Allowed return on debt	1.88%	
Allowed return on capital	2.85%	

[8] We present here a forecast average of RIIO-2 allowed returns. Final allowances for debt and equity from 2022/2023 onwards will reflect changes in market observations. Please see Finance Annex for further detail.

2. Setting outputs

Introduction

2.1 This chapter sets out our decisions for output areas that specifically apply to WWU. We set out more detail on the common outputs in the GD Annex, including our broader decisions and rationale.

Meeting the needs of consumers and network users

GD Sector outputs

2.2 We set out our decisions for the WWU-specific parameters in the following tables.

Vulnerability package

Vulnerability and Carbon Monoxide Allowance (VCMA)

Table 6: Final Determinations Decision - VCMA by network (£m, 2018/19 prices)[9]

Network	2021/22	2022/23	2023/24	2024/25	2025/26	Total
WWU	1.07	1.07	1.07	1.07	1.07	5.34
Collaborative projects - WWU share[10]	0.36	0.36	0.36	0.36	0.36	1.78
Total[11]	**1.42**	**1.42**	**1.42**	**1.42**	**1.42**	**7.12**

[9] Allowances per year do not have to be spent within each year and can be rolled over.
[10] 25% of the UIOLI must be spent on collaborative projects between GDNs. To provide this funding, we will apportion the collaborative pot so each GDN will receive a share on top of its UIOLI based on their forecast percentage of GB domestic gas customers served in the first year of RIIO-GD2. We will set requirements for how this can be spent in the VCMA Governance Document.
[11] Subtotals may not add up to sum of line items due to rounding.

Fuel Poor Network Extension Scheme

Table 7: Final Determinations Decision - FPNES ODI-R targets and volume driver cap for WWU (No. of connections, £ per service connection, 2018-19 prices)

Network	ODI-R Target *Number of connections – RIIO-GD2 total*	Volume driver cap *Number of connections – RIIO-GD2 maximum*	Volume driver unit costs[12] *£ per service connection*
WWU	2,500	7,870	2,106

Unplanned Interruptions

Table 8: Final Determinations Decision - ODI-F Minimum performance and Excessive Deterioration levels for WWU (hours)

Network	Minimum performance level *Annual average duration (hours)*	Excessive Deterioration level *Annual average duration (hours)*
WWU	13	20.5

Maintaining a safe and resilient network

GD Sector outputs

2.3 We set out our decisions for the WWU-specific parameters in the following tables.

[12] Includes Ofgem assessment of ongoing efficiency.

Repex

Tier 1 mains replacement

Table 9: Final Determinations Decision - Tier 1 mains Baseline Target Workloads for WWU (kilometres mains decommissioned)

WWU	2021/22	2022/23	2023/24	2024/25	2025/26	RIIO-GD2 Baseline Target Workload
Workload Activities						
All materials						
a. <=3"	5.9	2.8	3.0	2.2	5.1	19.0
b. 4"-5"	176.1	159.4	153.2	156.1	153.0	797.8
c. 6"-7"	91.2	100.5	99.0	109.0	94.6	494.3
d. 8"	40.4	51.0	58.6	46.5	60.4	256.9
Total	**313.6**	**313.8**	**313.8**	**313.8**	**313.0**	**1,568.0**
Note: Subtotals may not add up to sum of line items due to rounding						

Table 10: Final Determinations Decision - Tier 1 mains Baseline Allowance (£m, 2018-19 prices)

	2021/22	2022/23	2023/24	2024/25	2025/26	RIIO-GD2 Baseline Allowance
Tier 1 mains baseline allowance						
WWU	41.5	40.9	40.8	38.7	40.0	201.9
Note: Subtotal may not add up to sum of line items due to rounding						

Table 11: Final Determinations Decision - Tier 1 mains ex ante unit costs for WWU (RIIO-GD2, £/km mains decommissioned, 2018-19 prices)

WWU	RIIO-GD2 ex ante unit costs
Tier 1 iron mains decommissioned	
a. <=3"	87,051
b. 4"-5"	96,363
c. 6"-7"	140,322
d. 8"	210,131
Note: Unit costs for Tier 1 mains PCD	

Tier 1 services PCD

Table 12: Final Determinations Decision - Tier 1 service interventions Baseline Target Workloads for WWU (No. of services)

WWU	2021/22	2022/23	2023/24	2024/25	2025/26	RIIO-GD2 Baseline Target Workloads
Workload Activities						
Tier 1 service interventions						
Relay	13,538	11,382	10,789	12,095	11,499	59,302
Test and transfer	13,538	11,382	10,789	12,095	11,499	59,302
Totals	**27,076**	**22,763**	**21,577**	**24,189**	**22,998**	**118,603**
Note: Subtotal may not add up to sum of line items due to rounding						

Table 13: Final Determinations Decision - Tier 1 services Baseline Allowances for WWU (£m, 2018-19 prices)

	2021/22	2022/23	2023/24	2024/25	2025/26	RIIO-GD2 Baseline Allowance
Tier 1 services Baseline Allowances						
WWU	11.2	10.0	9.3	9.9	9.7	50.2
Note: Subtotal may not add up to sum of line items due to rounding						

Table 14: Final Determinations Decision - Tier 1 service interventions ex ante unit costs for WWU (RIIO-GD2, £/service, 2018-19 prices)

WWU	RIIO-GD2 ex ante unit costs
Tier 1 service interventions	
Relay	519
Test and transfer	327
Note: Unit costs for Tier 1 services PCD. Unit costs exclude RPEs.	

NARM PCD and ODI-F

2.4 This table summarises WWU's NARM targets. Please refer to the NARM Annex for our decisions and rationale.

Table 15: Summary of Final Determinations Decision - NARM Baseline Network Risk Outputs

Network	Baseline Network Risk Output (R£m)[13]	Baseline Allowance (£m)[14]	Unit cost of Risk Benefit (£/R£)
WWU	16.3	89.5	5.5

Note: Baseline Allowance included within totex. All values in table subject to change due to final reconciliation process ahead of RIIO-GD2 implementation. Any changes to Baseline Allowance will only affect the share of totex attributable to NARM, but will not result in any changes to totex.

2.5 The data presented in Table 15 for Baseline Network Risk Output, Baseline Allowances and Unit Cost of Risk Benefit remain subject to update between the publication of Final Determinations and the implementation of RIIO-GD2. This is to ensure that the final targets we set for GDNs accurately reflect the decisions we have made at Final Determinations, including ensuring a consistent approach is taken across GDNs, where appropriate, as to which assets are included within the NARM. For example, the changes we've made to the Capital Projects PCD at Final Determinations may result in more assets being included in the NARM. Any changes we make to Baseline Allowances for NARM will only be updates to the share of totex attributable to asset interventions included within NARM and will not result in any changes to Final Determinations totex allowances.

2.6 We will work with the GDNs to ensure these values are updated to accurately reflect our Final Determinations positions, including requesting the GDNs to re-run their NARM models to determine final Baseline Network Risk Output targets. Please see the NARM Annex for further details on the process we intend to follow for finalising NARM outputs for the GDNs.

Capital Projects

2.7 Table 16 summarises the projects included in the Capital projects PCD for WWU.

Table 16: Final Determinations Decision - WWU projects in Capital projects PCD

Network	Cost category	Project name	RIIO-GD2 cost (£m)
WWU	LTS, Storage & Entry	HN039 LTS Pipeline Replacement	13.19

[13] The unit used to denote Monetised Risk values. R£ is used to differentiate from financial monetary values.
[14] Baseline Allowance includes RPEs.

Delivering an environmentally sustainable network

GD Sector outputs

2.8 We set out our decisions for the WWU-specific parameters in the following tables.

Commercial Fleet EV PCD

Table 17: Final Determinations Decision – EV Target Volume for WWU (RIIO-GD2 total, No. of vehicles and charging points)

Network	Output Category	Specification	Total Units over RIIO-GD2
WWU	4x4	Payload: min. 1,000kg	5
	Small Van	Gross vehicle weight: max. 2,300kg	33
	Medium Van	Gross vehicle weight: max. 3,300kg	150
	Supporting Infrastructure	EV Charging point	188

3. Setting baseline allowances

Introduction

3.1 This chapter sets out our decision on baseline allowances for the different cost areas within WWU's BP submission.

3.2 We intend this chapter to be read alongside other parts of our Final Determinations that set out our industry-wide approach.

Baseline allowances

3.3 Baseline totex referenced in this chapter comprises forecast controllable costs.[15] This includes direct and indirect opex, capex and repex and is inclusive of our proposed ongoing efficiency. Non-controllable costs, while included in overall allowed revenue recoverable by GDNs, are not included in baseline totex and are treated separately. Moreover, the figures presented in this chapter do not include real price effects (RPEs) to allow comparison with GDNs' submissions.[16]

3.4 Table 18 compares WWU's submitted baseline totex with our view.

Table 18: WWU baseline allowance (RIIO-GD2 total, £m, 2018/19 prices)

Cost area	Submitted totex Dec 19 (£m)	Resubmitted totex Sept 20 (£m)	Ofgem DDs allowed totex (£m)	Ofgem FD allowed totex (£m)	DDs vs submitted (%)	FD vs submitted (%)
Direct opex	329	332	300	318	-9%	-4%
Indirect opex	156	156	142	151	-9%	-3%
Capex	256	274	207	267	-19%	-3%
Repex	442	442	348	420	-21%	-5%
Totex	1,182	1,203	997	1,157	-16%	-4%

3.5 We have allowed £1,157m of WWU's £1,203m baseline request. Of this baseline allowance, we have tied £409m to PCDs to ensure WWU is held accountable for

[15] Baseline totex, totex and forecast controllable costs will be used interchangeably.
[16] Any costs not included in baseline totex, but included in allowed revenue, are captured in the licence model.

delivery of its specified outputs. We have also set a number of uncertainty mechanisms to assess potential expenditure during RIIO-GD2.

Summary of our assessment

3.6 Prior to modelling WWU's forecast totex, we separate out costs associated with activities considered more suited to technical assessment. For the remaining modelled totex, we also distinguished between costs suitable for regression analysis and non-regression analysis. Table 19 details our breakdown of submitted totex for WWU.

Table 19: WWU totex assessment approach (RIIO-GD2 total, £m, 2018/19 prices)

Network	Submitted totex Dec 19	Resubmitted totex Sep 20	Modelled Costs		Technically assessed costs
			Regression	*Non-Regression*	
WWU	1,182	1,203	1,157	20	26
% of submitted costs	100%	100%	96%	2%	2%

3.7 Adjustments to submitted costs under each of our assessment approaches are summarised in Table 20. Modelled costs are subject to pre-modelling and benchmarking efficiency adjustments. Technically assessed costs are subject to technical assessment adjustments only. All costs are subject to ongoing efficiency adjustments.

Table 20: Step by step breakdown of adjustments (RIIO-GD2 total, £m, 2018/19 prices)

Network	Embedded OE adjustment	Modelled cost: *Pre modelling adjustments**	Modelled cost: *Benchmark efficiency adjustments**	Technically assessed adjustments	Ongoing efficiency adjustments	Total adjustments
WWU	**24**	**-16**	**3**	**-1**	**-56**	**-46**

*Overall modelling adjustments are the sum of pre-modelling and benchmarking adjustments.

3.8 Table 21 summarises the pre-modelling adjustments for WWU.

Table 21: Proposed pre-modelling adjustments, WWU (RIIO-GD2 total, £m, 2018/19 prices)

Network	Volume-related adjustments	UM related adjustments	Total pre-model adjustments
WWU	-16	-	-16

3.9 For WWU, at Final Determinations we have decided to remove £16m (net) of volume-related adjustments. We made no adjustments related to uncertainty mechanisms.

3.10 WWU ranked second in our benchmarking, resulting in an adjustment to modelled costs through benchmarking efficiency of £13m.

3.11 For technically assessed costs, at Final Determinations we have made the adjustments listed in Table 22. The bespoke proposals we have included are presented in Chapter 2. Further details on the other items in the table are provided later in this chapter.

Table 22: Technically assessed costs adjustments, WWU (RIIO-GD2 total, £m, 2018/19 prices)

Network	Bespoke outputs	Capex and repex projects*	Resilience**	Total adjustments
WWU	-2	3	-2	-1

* Includes gasholder demolition and allowance for electric vehicles

** Includes cyber costs

Regression Analysis

Introduction

3.12 In this section, we describe our adjustments to the drivers that define the totex Composite Scale Variable (CSV) used in our regression model. Changes to drivers complement the pre-model adjustments made to submitted totex costs, noted above. We decided to implement these adjustments at Final Determinations following engineering and cost assessment reviews of WWU's Business Plan and Draft Determinations response.

3.13 We provide details of our adjustments to the drivers for each of our cost categories, opex, repex and capex, listing out any changes to drivers used in the regression model.

Opex

Description

3.14 The components of the totex CSV that relate to opex are Modern Equivalent Asset Value (MEAV), maintenance MEAV, emergency CSV and total external condition reports.

Final Determinations decision

Table 23: WWU's opex cost drivers

Driver	Driver Value		FD Decision	DD Position
Network	Submitted*	Modelled		
MEAV (£m, 2018/19)				
WWU	58,089	58,089	We have included revised risers numbers and embedded gas entry points	As per FD
Maintenance MEAV (£m, 2018/19)				
WWU	16,937	16,937	We have included embedded gas entry points	As per FD
Emergency CSV (No., 80% customers number, 20% total external condition reports)				
WWU	4,425,646	4,319,482	Adjustments to total external condition reports	No adjustments to total external condition reports
Total External Condition Reports (No.)				
WWU	58,649	51,978	Upward adjustments to account for disallowed repex workloads	No adjustments for disallowed repex workloads

* Submitted values refer to post Draft Determinations resubmission

Final Determinations rationale and Draft Determinations response

3.15 We have adopted our Draft Determinations position and made an adjustment to WWU's total external condition reports to align their number to the average of the rest of the industry. This adjustment also affects the emergency CSV driver.

Repex

Final Determinations decision

Table 24: Tier 1 mains and steel <=2" mains commissioned workloads (RIIO-GD2 total, kilometres mains commissioned)

Network	Driver Value			FD position	DD position
	Submitted Dec 19	*Submitted Sep 20*	*Modelled*		
Tier 1 (km)					
WWU	1,587.2	1,587.2	1,538.2	We have disallowed all workloads associated with dynamic growth in Tier 1 (see GD Annex)	As per FD
Steel <=2" (km)					
WWU	239.1	239.1	239.1	We have allowed in full WWU's proposed steel mains <=2" workloads	As per FD

Table 25: Tier 2A mains commissioned workloads (RIIO-GD2 total, kilometres mains commissioned)

Network	Driver Value			FD position	DD position
	Submitted Dec 19	*Submitted Sep 20*	*Modelled*		
Tier 2A (km)					
WWU	2.3	2.3	2.3	We have allowed in full WWU's proposed Tier 2A workloads as part of baseline modelling.[17]	As per FD

[17] See GD Annex for further discussion of the Tier 2A volume driver.

Table 26: Tier 2B and Tier 3 mains commissioned workloads (RIIO-GD2 total, kilometres mains commissioned)

Network	Driver Value			FD position	DD position
	Submitted Dec 19	*Submitted Sep 20*	*Modelled*		
Tier 2B (km)					
WWU	139.9	139.9	139.9	We have allowed in full WWU's proposed steel mains Tier 2B workloads	Disallowed in full
Tier 3 (km)					
WWU	10.8	10.8	10.8	We have allowed in full WWU's proposed steel mains Tier 3 workloads	As per FD

Table 27: Steel >2" mains commissioned workloads (RIIO-GD2)

Network	Driver Value			FD position	DD position
	Submitted Dec 19	*Submitted Sep 20*	*Modelled*		
Steel >2" (km)					
WWU	107.8	107.8	107.8	We have allowed in full WWU's proposed steel mains steel >2" workloads	As per FD

Table 28: Iron >30m from a building and Other Policy & Condition mains[18] commissioned workloads (RIIO-GD2 total, kilometres mains commissioned)

Network	Driver Value			FD position	DD position
	Submitted Dec 19	*Submitted Sep 20*	*Modelled*		
Iron >30m from a building (km)					
WWU	49.0	49.0	49.0	We have allowed in full WWU's proposed steel mains iron >30m from buildings workloads	Disallowed in full

[18]Other Policy & Condition mains: The replacement of distribution mains and services not captured under the HSE policy workload. This includes non-standard materials and mains selected to be replaced on a condition basis in accordance with policy.

Network	Driver Value			FD position	DD position
	Submitted Dec 19	*Submitted Sep 20*	*Modelled*		
Other Policy & Condition (km)					
WWU	0.0	0.0	0.0	WWU did not submit any Other Policy and Condition mains workloads	As per FD

Table 29: Services associated with mains replacement commissioned workloads*(RIIO-GD2 total, no. of service interventions)

Network	Driver Value**			FD position	DD position
	Submitted Dec 19	*Submitted Sep 20*	*Modelled*		
Tier 1 (No.)				Where we have disallowed mains replacement workloads (see tables above and detail below), we have made corresponding downward adjustments to service interventions. All adjustments were made on a pro rata basis	As per FD
WWU	122,385	122,385	118,603		
Steel <=2" (No.)					
WWU	21,533	21,533	21,533		
Tier 2A (No.)					
WWU	468	468	468		
Tier 2B (No.)					
WWU	13,013	13,013	13,013		
Tier 3 (No.)					
WWU	1,030	1,030	1,030		
Iron main >30m (No.)					
WWU	2,123	2,123	2,123		
Steel mains >2" (No.)					
WWU	3,745	3,745	3,745		
Other Policy & Condition (No.)					
WWU	9,180	9,180	9,180		

* Includes relays, and test and transfer for both domestic and non-domestic properties
* All values include capitalised replacement

Table 30: Services not associated with mains replacement commissioned workloads (RIIO-GD2 total, no. of service interventions)

Network	Driver Value*			FD position	DD position
	Submitted Dec 19	*Submitted Sep 20*	*Modelled*		
Non-Domestic: Relay (No.)					
WWU	1,582	1,582	577	We have partially disallowed non-domestic relay workloads	As per FD

Network	Driver Value*			FD position	DD position
	Submitted Dec 19	*Submitted Sep 20*	*Modelled*		
Domestic: Relay after escape (No.)					
WWU	17,159	17,159	16,435	We have partially disallowed domestic relay after escape workloads	As per FD
Domestic: Relay other (No.)**					
WWU	7,619	7,619	5,946	We have partially disallowed other domestic relay workloads	As per FD

* All values include capitalised replacement
** Includes Domestic Relay: Bulk Services, Relay: Service Alts, Meter Relocations, Relay: Smart Metering, Relay: Smart Metering (Workload at Cost of Shipper), Relay: Other (Metallic), Relay: Other (Non-Metallic)

Final Determinations rationale and Draft Determinations response

3.16 We have decided to allow all of WWU's repex workloads except for Tier 1 dynamic growth which has been disallowed for all GDNs (see GD Annex) that have included it in their submitted Tier 1 workloads (see sections below for detailed description).

3.17 In response to Draft Determinations, WWU was supportive of the allowance of the bulk of its repex investments but expressed serious concerns about the disallowance of Tier 2B and iron mains >30m from buildings. It argued that the case for these is robust and wanted us to revisit the case for Tier 2B and iron mains >30m from buildings, including providing updated cost-benefit analyses (CBA) as part of its Draft Determinations response. WWU stated that the disallowance of these large diameter pipes does not allow it to manage safety risk. It also said that if these workloads were disallowed customers would experience higher bills to 2030 due to increased opex costs. It argued this investment is required to remain compliant and that it has received stakeholder support for these workloads.

3.18 WWU CEG noted the significant impact on repex with the Draft Determinations proposed reductions and assume Ofgem have considered the deliverability of the programme and the impact on Health and Safety Executive (HSE) obligations.

3.19 We have taken into consideration the above and other responses received to Draft Determinations and consider that our final decision on WWU's repex workloads

addresses the concerns raised by both WWU and the WWU CEG and that the decision is in the interests of consumers.

Tier 1 mains and steel mains <=2”

3.20 We have decided to implement our Draft Determinations position to allow Tier 1 workloads but have excluded dynamic growth (see Chapter 3 of the GD Annex for further details) and to allow steel mains <=2" in full.

Tier 2A mains

3.21 We have decided to implement our Draft Determinations position to allow Tier 2A workloads in full. Refer to the GD Annex for further explanation of the Tier 2A volume driver mechanism and Chapter 4 for allowed costs and unit costs.

Tier 2B and Tier 3 mains

3.22 We have decided to allow all of WWU’s submitted Tier 2B workloads, which we proposed to disallow at Draft Determinations. We consider the needs case has now been justified based on a review of additional evidence provided by WWU. WWU argued that disallowing the workloads conflicted with its stakeholder led strategy. It stated it would not allow certain areas to be hydrogen ready and efficiencies in combining this workload with other projects would be lost. WWU CEG said it was disappointed that the Tier 2B element has been disallowed expressing concerns that disallowance of these workloads will lead to greater inefficiencies in the delivery of the repex programme to the detriment of customers and the environment. It was also concerned it would affect a net zero future.

3.23 WWU provided further detailed engineering information and CBAs to support its Tier 2B workloads. Following engineering and cost assessment reviews of WWU’s resubmitted material (including a revised CBA) and WWU CEG’s response, we are satisfied that WWU has justified the needs case for these workloads, including meeting the 2037 CBA payback cut-off criteria.

3.24 We have decided to implement our Draft Determinations position to allow Tier 3 workloads in full.

Steel mains >2"

3.25 We have decided to implement our Draft Determinations position to allow steel mains >2" workloads in full.

Iron mains >30m from a building *and Other Policy and Condition mains*[19]

3.26 We have decided to allow all WWU's submitted iron >30m from building workloads. WWU made similar arguments as it did for Tier 2B (see above) to justify reinstating these workloads. It also stated that the resubmitted CBA is built on very granular asset, performance, and cost data in which it had a high level of confidence. Following engineering and cost assessment reviews of the resubmitted material, we think that WWU has justified the needs case for these workloads, including meeting the 2037 CBA payback cut-off criteria.

3.27 WWU have not submitted any workloads in relation to Other Policy and Condition as per Draft Determinations.

Services associated with mains replacement

3.28 We have decided to implement our approach of making corresponding pro rata adjustments to services associated with mains where we have not allowed funding for submitted workloads (ie Tier 1 dynamic growth), as proposed at Draft Determinations. These adjustments are based on submitted services: mains ratios for each network and submitted proportions between intervention types[20] and domestic/non-domestic.

Services not associated with mains replacement

3.29 We have decided to implement our Draft Determinations position of making downward adjustments to submitted workloads of services not associated with mains replacement for WWU. WWU's submitted workloads for RIIO-GD2 appeared to be high, relative to both WWU's RIIO-GD1 run rates and other networks' submissions and were not supported by engineering justification. We have adjusted workloads of 'Relay: Other (Metallic)' and 'Relay: Services Alts, Meter Relocations' in RIIO-GD2 to WWU's historical average annual workloads. We have also adjusted workloads of 'Relay: After Escape' in RIIO-GD2 to the RIIO-GD2

[19] Other Policy & Condition mains: The replacement of distribution mains and services not captured under the HSE policy workload. This includes non-standard materials and mains selected to be replaced on a condition basis in accordance with policy.
[20] Services relays; services test and transfer.

industry average growth rate. This has resulted in a total downward adjustment of £3.7m at FDs. We did not receive any specific feedback on this further to our Draft Determinations position.

Capex

Description

3.30 Reinforcement and connections workloads are the two capex components of the totex CSV used in our regression modelling for RIIO-GD2.

Final Determinations decision

Table 31: Reinforcement workloads (RIIO-GD2 total, kilometres mains commissioned)

Network	Driver Value		FD Decision	DD Position
	Submitted	*Modelled*		
General (km)				
WWU	37.0	37.0	Workload allowed in full	As per FD
Specific (km)				
WWU	56.8	56.8	Workload allowed in full	As per FD
Note: Includes mains only. We have assessed growth governors separately, similar to RIIO-GD1.				

Table 32: Connections - mains workloads (RIIO-GD2 total, kilometres mains commissioned)

Network	Driver Value		FD Decision	DD Position
	Submitted	*Modelled*		
Domestic: all types (km)				
WWU	186.7	186.7	Workload allowed in full	As per FD
Non-domestic: all types (km)				
WWU	29.3	29.3	Workload allowed in full	As per FD
FPNES (km)				
WWU	9.8	9.8	Workload allowed in full	As per FD

Table 33: Connections - services workloads (RIIO-GD2 total, no. of service connections)

Network	Driver Value		FD Decision	DD Position
	Submitted	*Modelled*		
Domestic: all types (no.)				
WWU	43,146	43,146	Workload allowed in full	As per FD
Non-domestic: all types (no.)				
WWU	3,050	3,050	Workload allowed in full	As per FD
FPNES (no.)				
WWU	2,500	2,500	Workload allowed in full	As per FD

Final Determinations rationale and Draft Determinations response

3.31 As shown in Table 31, we have decided to implement our Draft Determinations position and accept WWU's reinforcement workload in full.

3.32 As shown in Table 32 and Table 33, we have decided to implement our Draft Determinations position and accept WWU's connections workload in full. As discussed in the GD Annex and Chapter 4 of this document, we have decided to include common domestic and FPNES connections volume drivers to handle any material variations in outturn workload volumes.

Non-regression Analysis

3.33 This section provides an overview of the non-regression analysis we undertook for our WWU assessment, including adjustments that we made to costs and workloads. The non-regression analysis covered the following categories: Multi Occupancy Buildings (MOBs), diversions, growth governors, streetworks, smart metering and land remediation.

3.34 For some non-regression models, the costs assessed fall into more than one of the opex/capex/repex cost categories (ie MOBs, streetworks). We present each non-regression model in turn, rather than seeking to categorise costs into opex/capex/repex. The modelled costs in the tables below are costs before benchmarking and ongoing efficiency adjustments have been applied.

Multi Occupancy Buildings (MOBs)

Final Determinations decision

Table 34: MOBs interventions proposed gross costs and workloads (RIIO-GD2 total, £m 2018/19 prices, no. of risers)

Network	FD decision				DD position
	Costs (gross)		Workloads		
	Submitted	*Modelled*	*Submitted*	*Modelled*	
	£m	*£m*	*No.*	*No.*	
MOBs repex					Costs adjusted downwards by £5.6m to the planned replacement category for WWU's proposed MOBs Repex, as we did not believe the submitted unit costs were sufficiently justified.
WWU	8.3	8.3	237	237	
MOBs maintenance					
WWU	0.0	0.0	N/A	N/A	
MOBs connections					
WWU	0.0	0.0	0.0	0.0	

Final Determinations rationale and Draft Determinations response

3.35 We have decided to allow WWU's submitted MOBs workloads and costs in full at Final Determinations, as we consider the costs estimates to be justified following review of further evidence provided by WWU in response to Draft Determinations. WWU disagreed with our Draft Determinations proposals to partially disallow the proposed workloads and asked for the workloads to be approved. It provided further justification and evidence as to why the submitted costs and workloads are required and raised concerns over safety if the workloads are not completed. It also highlighted a mismatch in MOBs reporting between GDNs which it argued led us to incorrect conclusions at Draft Determinations. We concluded that there was a genuine MOBs mismatch in reporting between GDNs. Following a detailed cost and engineering assessment of the additional evidence provided we determined that the needs case was met and have decided to allow these costs in full.

Diversions

3.36 WWU did not submit any costs or workloads for diversions in RIIO-GD2 and therefore no costs have been allowed for this category.

Growth governors

3.37 WWU did not submit any costs or workloads for growth governors in RIIO-GD2 and therefore no costs have been allowed for this category.

Streetworks

Final Determinations decision

Table 35: Streetworks costs (RIIO-GD2 total, £m, 2018/19 prices)

Network	FD decision		DD position
	Costs		
	Submitted	*Modelled*	
	£m	*£m*	
WWU	5.1	4.3	Costs adjusted in line with WWU's average costs in years 2016/17 to 2019/20, and costs for fines and penalties were disallowed. This resulted in a modelled upward adjustment of £0.8m for WWU.

Final Determinations rationale and Draft Determinations response

3.38 We have decided to base our streetworks assessment on average run rates over an extended time-period of 2016/17 to 2025/26, compared to 2016/17 to 2019/20 at Draft Determinations, and we have adopted our position to disallow costs for fines and penalties. This has resulted in a modelled cost reduction of -£0.8m for WWU.

3.39 WWU did not provide feedback on our Draft Determinations streetworks proposal. Our rationale for the changes in our approach to the streetworks assessment is provided in the GD Annex.

Smart metering

3.40 WWU did not forecast any expenditure associated with smart metering and therefore no costs have been allowed for this cost area.

Land remediation

Final Determination decision

Table 36: Land remediation costs and workloads (RIIO-GD2 total, £m, 2018/19 prices, No. of interventions)

Network	FD decision				DD position
	*Costs**		*Workloads*		
	Submitted	*Modelled*	*Submitted*	*Modelled*	
	£m	*£m*	*No.*	*No.*	
WWU	6.9	6.9	70	70	As per FD
* Includes embedded OE adjustment.					

Final Determination rationale and Draft Determination response

3.41 We have decided to implement the Draft Determinations position and make no adjustments to WWU's forecast land remediation expenditure.

Technically assessed costs

3.42 This section contains an overview of the technical analysis undertaken for WWU, including the adjustments we have made to submitted costs. For each category of such costs, we set out a summary of submitted and allowed costs (excluding ongoing efficiency). Our GD Annex sets out how we assessed costs, including expert review of potential capex and repex investments.

Bespoke outputs

Description

3.43 Table 37 summarises our decision on WWU's bespoke outputs. Further detail and a full list of our decisions for all bespoke outputs is provided in Chapter 2 and Appendix 1. Of the submitted bespoke outputs, we have accepted £1.2m of expenditure.

Final Determination decision

Table 37: WWU's submitted bespoke outputs (RIIO-GD2 total, £m, 2018/19 prices)

Network	Submitted	Allowed (excludes OE)	Adjustments	Adjustment (%)
WWU	3.6	1.2	-2.4	-67%

Repex

3.44 We did not assess any of WWU's submitted repex costs under this category as no project-specific costs were identified for repex.

Capex

LTS, storage & entry

Final Determinations decision

Table 38: Technical assessment of LTS, storage and entry projects (RIIO-GD2 total, £m, 2018/19 prices)

Network	Investment name	FD decision			DD proposal	
		Submitted	*Allowed**	*Confidence*	*Proposed*	*Confidence*
		£m	*£m*		*£m*	
WWU	HN039 LTS Pipeline Replacement	13.19	13.19	Lower	13.19	Lower

* Project overheads were assessed via our totex regression rather than through technical assessment, however they are included in the above figures to enable comparison with submitted costs.

Final Determinations rationale and Draft Determinations response

3.45 We have maintained our Draft Determinations technical assessment of HN039 LTS Pipeline Replacement because no further evidence was submitted by WWU on this project. We have not made any cost reductions to HN039 LTS Pipeline Replacement through technical assessment, as we think costs are in line with similar pipeline projects.

3.46 As set out in the GD Annex, we have excluded indirect project costs (overheads) from the scope of bottom-up technical assessment of capex projects at Final

Determinations. Instead, we have included the £0.3m of submitted indirect project costs for HN039 LTS Pipeline Replacement in the totex regression.

PSUP (Physical Security Upgrade Programme)

Final Determinations decision

3.47 WWU did not submit any PSUP costs in RIIO-GD2 and therefore no costs have been allowed for this category.

Non totex cost items

Non-controllable opex

Description

3.48 WWU's non-controllable opex allowances are shown in the table below. We set out our decisions in relation to each pass-through mechanism in Chapter 4 of our GD Annex.

Final Determinations decision

Table 39: RIIO-GD2 non-controllable costs (RIIO-GD2 total, £m, 2018/19 prices)

WWU	Total RIIO-GD2 (£m)
Shrinkage	31.0
Ofgem License	8.1
Network Rates	192.4
Established Pension Deficit Recovery Plan Payment	42.2
Pension Deficit Charge Adjustment (NTS Pension Recharge)*	0.0
Third Party Damage and Water Ingress	0.0
Gas Theft	0.0
Bad Debt	0.0
NTS Exit Costs	177.0
Xoserve	13.1
Misc	0.0
Supplier of Last Resort Claims	0.0
Total non-controllable costs	463.9

* As per National Grid's 'Notice of Indicative Gas Transmission Transportation Charges' published on the 30th of October 2020, Pension Deficit Charge Adjustment costs have been set to zero.

4. Adjusting baseline allowances for uncertainty

Introduction

4.1 This Chapter sets out our decisions for the WWU-specific parameters as well as our decisions and rationale where we have accepted bespoke UMs. We set out more detail on the common UMs in the GD Annex, including our decisions and rationale.

GD Sector uncertainty mechanisms

4.2 We set out our decisions for the WWU-specific parameters in the following tables.

Repex - Tier 2A iron mains volume driver

Table 40: Final Determinations decision - Tier 2A iron mains Baseline Target Workloads (kilometres mains decommissioned)

WWU	2021/22	2022/23	2023/24	2024/25	2025/26	RIIO-GD2 Baseline Cost Allowance
Workload Activities						
Tier 2A mains decommissioned						
9" in diameter	0.0	0.0	0.0	0.5	0.0	0.5
10"-12" in diameter	0.2	0.0	0.0	1.0	0.4	1.6
>12"-17" in diameter	0.0	0.0	0.6	0.1	0.4	1.2
Totals	**0.2**	**0.0**	**0.6**	**1.7**	**0.8**	**3.3**
Note: Subtotals may not add up to sum of line items due to rounding						

Table 41: Final Determinations decision - Tier 2A iron mains and services Baseline Cost Allowance (£m, 2018/19 prices)

WWU	2021/22	2022/23	2023/24	2024/25	2025/26	RIIO-GD2 Baseline Cost Allowance
Tier 2A mains and services Baseline Cost Allowance						
WWU	0.04	0.00	0.22	0.58	0.04	0.88
Note: Subtotal may not add up to sum of line items due to rounding						

Table 42: Final Determinations decision - Tier 2A iron mains and services ex ante unit costs for WWU (RIIO-GD2, £/km mains decommissioned, 2018/19 prices)

WWU	RIIO-GD2 ex ante unit costs
Tier 2A iron mains decommissioned	
e. 9"	106,954
f. 10" - 12"	222,257
g. >12" - 17"	380,283
Note: Unit costs for Tier 2A volume driver. Unit costs inclusive of associated service workloads. Unit costs exclude RPEs.	

Domestic connections volume driver

Table 43: Final Determinations decision – domestic connections mains baseline target workloads (kilometres mains commissioned)

Network	2021/22	2022/23	2023/24	2024/25	2025/26	RIIO-GD2 baseline target workloads
Domestic connections mains[1]						
WWU	38.2	38.0	37.3	37.1	36.1	**186.7**
1 Combines mains diameters above and below 180mm for both new and domestic housing.						

Table 44: Final Determinations decision – domestic connections services baseline target workloads (No. of service connections commissioned)

Network	2021/22	2022/23	2023/24	2024/25	2025/26	RIIO-GD2 baseline target workloads
Domestic connections services[1]						
WWU	8,860	8,777	8,620	8,550	8,339	**43,146**
1 Combines services for both new and domestic housing.						

Table 45: Final Determinations decision – domestic connections mains ex ante unit costs (RIIO-GD2, £/km mains commissioned, 2018/19 prices)

Network	RIIO-GD2
	£/km
Domestic connections mains[1]	
WWU	78,101
1 Combines mains diameters above and below 180mm for both new and domestic housing. Figure includes ongoing efficiency and exclude RPEs.	

Table 46: Final Determinations decision – domestic connections services ex ante unit costs (RIIO-GD2, £/service connection, 2018/19 prices)

Network	**RIIO-GD2** ***£/service***
Domestic connections services[1]	
WWU	749
1 Combines services for both new and domestic housing. Figure includes ongoing efficiency and exclude RPEs.	

5. Innovation

Introduction

5.1 This Chapter sets out our Final Determination on WWU's Network Innovation Allowance (NIA) for the RIIO-GD2 price control period. Chapter 8 of the Core Document sets out our Final Determination on the RIIO-2 NIA framework and the Strategic Innovation Fund.

Network Innovation Allowance

Purpose: To fund innovation relating to support for consumers in vulnerable situations and/or to the energy system transition.

Benefits: The NIA will enable companies to take forward innovation projects that have the potential to address consumer vulnerability and/or deliver longer–term financial and environmental benefits for consumers, which they would not otherwise undertake within the price control.

Final Determination

Table 47: Network Innovation Allowance summary

Network Innovation Allowance	WWU proposed NIA (£m)	Ofgem Draft Determinations position (£m)	Ofgem Final Determinations decision (£m)
Level of NIA funding	£13.3m	£13.3m, conditional on an improved industry-led reporting framework.	£13.3m. We retain the option to direct additional NIA funding for hydrogen innovation during RIIO-2

Final Determination rationale and Draft Determination responses

5.2 We have decided that all network companies and the ESO will be able to access NIA funding during RIIO-2, as they have satisfactorily evidenced that an improved industry-led reporting framework will be in place for the start of RIIO-2 (see Chapter 8 of the Core Document).

5.3 We have decided to award WWU £13.3m of NIA funding. This adopts our Draft Determination proposal and was supported by WWU, WWU CEG and Citizens Advice, the three responses which directly addressed WWU's NIA.

5.4 We have also decided that we will consider allowing NGGT and GDNs additional NIA funding for hydrogen innovation activities, should the level of NIA funding prove insufficient (see Chapter 8 of Core Document). This is because there is currently uncertainty and we recognise that a need for additional hydrogen innovation projects could potentially arise during RIIO-2. Together with the changes we have made to the suite of RIIO-2 mechanisms to support net zero (see Chapter 8 of Core document), this approach allows an agile response in the event of greater certainty on the need for hydrogen innovation funding during RIIO-2.

6. Business Plan Incentive (BPI)

6.1 This chapter sets out our Final Determination for WWU on the Business Plan Incentive (BPI). Further details of our decisions on the BPI at a cross-sectoral level can be found in Chapter 10 of the Core Document.

Table 48 Summary of decisions for WWU's BPI

BPI stage	Final Determination
Stage 1 - Minimum requirements	Pass
Stage 2 – CVP reward	£0m
Stage 3	£0m
Stage 4	£0m
Total	**No reward or penalty**

6.2 Our cost confidence assessment results in a Totex Incentive Mechanism (TIM) sharing factor for WWU of 50%. See Chapter 10 in the Core Document for further details on the TIM.

Stage 1 – Minimum requirements

6.3 We have decided to implement our proposal at Draft Determinations that WWU has met all of the Business Plan minimum requirements set out in our Sector Specific Methodology Decision (SSMD), and has, therefore, passed Stage 1 of the BPI.

6.4 Further detail on our assessment of Stage 1 can be found in Chapter 10 of the Core Document.

Stage 2 – Consumer Value Propositions

6.5 We have decided not to allow any of the CVPs proposed by WWU, which means it will receive no rewards under Stage 2 of the BPI.

6.6 For details of our decisions on CVPs that we have not allowed see Appendix 1.

Stage 3

6.7 We have decided that WWU will incur no penalty following our BPI Stage 3 assessment.

6.8 Table 49 sets out our decisions on low cost confidence cost categories and the associated Stage 3 penalties.

Table 49 Final Determination on Stage 3

Cost category	Lower confidence cost disallowance (£m)	BPI stage 3 penalty (£m)
HN039 LTS Pipeline Replacement	0.0	0.0

Final Determination rationale and Draft Determination responses

Table 50 Final Determination rationale for Stage 3

Cost category	Final Determination rationale and Draft Determination responses
HN039 LTS Pipeline Replacement	We have decided, consistent with our Draft Determinations position, to classify this project as lower confidence due to a lack of cost detail in WWU's Business Plan. As set out in paragraph 3.45, we have allowed WWU's submitted costs in full, which is why no Stage 3 penalty has been applied. WWU did not comment on our proposal at Draft Determinations.

Stage 4

6.9 We have decided that WWU will earn no reward following our BPI stage 4 assessment.

6.10 Table 51 sets out our decisions on high cost confidence categories, allowances and the associated Stage 4 rewards.

Table 51 Final Determination on Stage 4

Cost category	Company's view (£m)	Ofgem view (£m)	BPI reward (£m)
Modelled costs	1,177	1,188	0.0
Gasholder demolition	3.3	3.3	
Electric vehicles	2.7	2.7	

Final Determination rationale and Draft Determination responses

Table 52 Final Determination rationale for Stage 4

Cost category	Final Determination rationale and Draft Determination responses
Modelled costs	We have applied the SSMD methodology and classified modelled costs (regression and non-regression) as high confidence.
Gasholder demolition	We have decided to classify this project as high confidence because unit costs are based on established RIIO-GD1 costs. We did not receive any consultation responses on this proposal.
Electric vehicles	These costs were not part of the Business Plan submissions. Information received from all GDNs allowed us to develop high confidence unit costs that were used to set out the allowance for electric vehicles. This activity has not earned a reward because we have accepted company submitted costs and workloads.

Appendices

Index

Appendix 1 – Rationale for Ofgem's decisions on WWU's proposed bespoke outputs, BPI Stage 2 CVPs and UMs 42

Appendix 1 – Rationale for Ofgem's decisions on WWU's proposed bespoke outputs, BPI Stage 2 CVPs and UMs

Summary of decisions – bespoke outputs

A1.1 This section sets out our decisions on the bespoke ODIs and PCDs that WWU proposed in its Business Plan. This includes our consideration of the responses we received to our Draft Determinations along with our decisions, rationale and references to further information.

Table 53: WWU's bespoke ODI proposals

Output name and description	Draft Determinations summary	Consultation response summary	Ofgem's Final Determination
Connections voluntary GSoPs: Voluntary payment to ensure customers requesting work excluded from the Connections GSoPs are compensated for poor service. This will include isolations (disconnections), diversions, domestic and non-domestic developments of greater than 5 new build premises domestic developments, and green gas quotations (on entry).	**Accept:** We proposed to merge this proposal with the common connections quotations GSOPs.[21]	A consumer representative group agreed that revisions to GSOPs should apply commonly. WWU welcomed that many of its bespoke output proposals were adopted into revised common GSoPs. It had not suggested that its green gas entry proposal should be incorporated commonly, but that it should be more visible in reporting. Wider feedback from other networks expressed similar concerns that a GSOP in this area would compromise flexibility and quality of service. We received further feedback on the difficulty and lack of consumer benefit for extending GSOPs to cover domestic and non-domestic developments.	**Reject:** We have decided to adopt our Draft Determinations position to extend quotation GSOPs to disconnections and diversions. However, we will not implement a common connection GSOP for green gas entry quotations or domestic and non-domestic developments of more than five new build premises. This is in light of feedback we received that a common GSOP on green gas entry could reduce the quality of engagement and service, and in light of feedback we received regarding domestic and non-domestic developments. GDNs will report on biomethane connections data and improvements to the green gas entry process in the AER (see GD Annex Chapter 2, Guaranteed Standards of Performance (GSOPs)).

[21] Draft Determinations GD Annex paragraphs 2.44-2.76.

Output name and description	Draft Determinations summary	Consultation response summary	Ofgem's Final Determination
British Standard for Inclusive Service Provision BS 18477: Commitment to maintain this accreditation.	**Reject:** We welcomed the proposal to maintain certification but thought WWU is likely to achieve this without an ODI. It is part of its vulnerability strategy and can be funded through the Vulnerability and Carbon Monoxide Allowance (VCMA) - so no specific baseline costs required. There was also insufficient evidence of stretch beyond business as usual (BAU) as WWU achieved this standard during RIIO-GD1.	WWU stated that it will continue to commit to BS 18477 Inclusive Service provision. A consumer representative group agreed with our rejection of the ODI but asked us to clarify why we proposed funding for some certification and accreditation schemes in baseline allowances, and others through the VCMA.	**Reject:** We have decided to adopt our Draft Determinations position. We have now allowed baseline funding for this work, consistent with our approach for WWU's ICS Service mark accreditation. We maintain that this is inappropriate as a bespoke output for the same reasons as Draft Determinations.
ICS Service mark accreditation: Commitment to maintain this accreditation.	**Reject:** We welcomed the proposal to maintain certification but thought WWU is likely to achieve this without an ODI. There was also insufficient evidence of stretch beyond BAU as WWU achieved this standard during RIIO-GD1. We provided costs in WWU's baseline allowance.	WWU stated that it will continue to commit to the ICS service mark.	**Reject:** We have decided to adopt our Draft Determinations position as we have no additional substantive evidence to justify a change. We have accepted the costs to retain the accreditation in WWU's baseline allowance.
Theft of Gas: A mechanism to incentivise WWU to do more than the minimum expected using industry and public data to tackle theft of gas.	**Reject:** We agreed with the intent of the proposal but believed that it could be achieved through a simpler mechanism. We proposed to incentivise these activities across all gas distribution	Although no stakeholders commented on this bespoke output, there was considerable response to our proposed common mechanism. See Chapters 2 and 4 of the GD Annex	**Reject:** We have decided to reject this bespoke proposal and instead apply a common approach which provides similar incentives. Our rationale and decision are set out in Chapters 2, Theft of gas (GDN responsible), and 4

Output name and description	Draft Determinations summary	Consultation response summary	Ofgem's Final Determination
	networks (GDNs) through the TIM.[22]	for a summary of these stakeholders' responses.	(Theft of gas (supplier responsible) of the GD Annex.
Enhanced GSOP: Continue to pay double the statutory GSOP payments.	**Reject:** We already proposed doubling GSOP payments for RIIO-GD2, in place of this proposal.	WWU supported that we proposed to reflect its GSoP related bespoke outputs in common arrangements for the GDNs. A consumer representative group also agreed with our proposals.	**Reject:** We have decided to adopt our Draft Determinations position as we have decided to double all GSOP payments (see Chapter 2 of the GD Annex).
Voluntary interruptions payments: Restore gas to ECV and appliance within 12 hours and leave a calling card if the customer is unavailable or pay £25 compensation. Engineer to attend property within 2 hours of customer call or agreed 2-hour appointment timeslot or pay £20 compensation.	**Reject:** Due to commonality with other GDN proposals, we proposed to address 'purge and relight' bespoke measures with a common ODI-R for appointment slots.[23] We proposed that WWU may want to retain other proposed targets as a separate key performance indicator (KPI) for its stakeholders. We supported WWU making compensation payment if funded by company shareholders.	For a summary of consultation responses, see Chapter 2 of the GD Annex.[24]	**Reject:** We have decided not to implement an ODI-R. We will implement internal reporting to monitor this activity instead. Our rationale and decision are set out in Chapter 2 of the GD Annex, Restoration of customers appliances - Purge and Relight (P&R) activity.

[22] See Draft Determinations GD Annex paragraphs 4.10-4.15.
[23] Draft Determinations GD Annex paragraphs 2.66-2.74.
[24] Restoration of customers appliances - Purge and Relight (P&R) activity.

Table 54: WWU's bespoke PCD proposals

PCD name and description	Draft Determinations summary	Consultation response summary	Ofgem's Final Determination
Land Remediation: Proposed £6.8m for the management of 70 former gas works sites to mitigate negative impacts on the communities around these sites.	**Reject:** Given the low risk of non-delivery, we did not consider it necessary to establish a bespoke PCD. We proposed to provide the allowance through our Totex baseline.[25]	WWU supported our proposal to include a cost allowance for its land remediation programme. A consumer representative group broadly supported our proposals.	**Reject:** We have decided to adopt our Draft Determinations position as we have no additional substantive evidence to justify a change.

Summary of decisions – BPI Stage 2 - CVPs

A1.2 This section sets out our decisions on the CVPs that WWU proposed in its Business Plan.

A1.3 Consultation responses from consumer representative groups and enhanced engagement groups about our overall CVP positions at Draft Determinations were mixed. Some stakeholders supported our rationale for rejecting proposals on one or more of the following grounds: not above BAU, CSR activity, lacking stakeholder support or evidence, and not having stretching targets. However, other stakeholders challenged our approach to assessing CVPs. We have addressed the responses on our approach to CVP assessment in Chapter 10 of the Core Document.

A1.4 Stakeholders particularly focused on the lack of vulnerability CVPs rewarded. They questioned whether our Draft Determinations assessment allowed vulnerability CVPs to be rewarded, given that many were rejected on the grounds that an associated PCD or ODI could be funded through the Vulnerability and Carbon Monoxide Allowance (VCMA). Cadent's CEG also questioned whether CVPs should be rejected on the grounds that the methodology or evidence base of the associated ODI or PCD was not robust

[25] See Draft Determinations GD Annex paragraphs 3.132-3.135.

enough. We retain our position that many of the GDNs' vulnerability CVP proposals are activities that we expected to be funded through the VCMA, so were not providing sufficient additional value to consumers to receive a CVP reward. Our approach to CVP assessment allows CVP rewards for vulnerability CVP items that are justified through our assessment framework. For example, we have provided a CVP reward for Cadent's Personalising welfare facilities CVP item. Our Business Plan Guidance (BPG) stated that we would assess each CVP on the merit of its proposal. We have done this and have rejected CVPs if the associated methodology or evidence base was not sufficiently robust. Further detail is set out below.

A1.5 The table below sets out our decisions and rationale for each of WWU's CVP items, along with our consideration of the specific new evidence or narrative we received in response to our Draft Determinations and references to further information.

Table 55: WWU's CVP proposals

CVP name and description	Draft Determinations summary	Consultation response summary	Ofgem's Final Determination
Interruptions targets: Commitment to paying any customer a voluntary payment of £25 if they are off gas for more than 12 hours, delivering £0.45m benefit over RIIO-GD2.	**Reject**: We did not consider this idea innovative and therefore, it should not receive a CVP reward. We considered GSOP appointment standards in the SSMC[26] and companies' customer research showed pursuing a GSOP was not worthwhile at that time. As three GDNs submitted similar ideas in their BPs we proposed to apply a common ODI-R for time-bound appointments. In addition, we did not propose to accept WWU's associated ODI-R to provide compensation for missing interruptions targets (Voluntary interruptions payments) so this part of the proposal also does not warrant a CVP reward.	No specific feedback was provided on our proposal. NGN agreed with Ofgem's position of not awarding CVPs for appointments given our previous consultation to consider these through customer research for GSOPs.	**Reject:** We have decided to adopt our Draft Determinations position as we are rejecting the associated bespoke ODI as explained in Table 52 therefore this does not warrant a CVP reward. In addition, there was no substantive further evidence was submitted to reconsider the CVP.
Volunteering in the community: Wellbeing of volunteers and communities and value of volunteers' time and match funding, delivering £0.2m benefit over RIIO-GD2.	**Reject: We think** this CVP proposal constitutes corporate social responsibility (CSR) that is not within WWU's business footprint and that CSR should be BAU for GDNs.	No specific feedback was provided on our proposal.	**Reject:** We have decided to adopt our Draft Determinations position as we have no additional substantive evidence to justify a change.

[26] See paragraphs 3.133-3.137 of the RIIO-GD2 GD Sector Annex to the RIIO-2 Sector Specific Methodology Consultation, https://www.ofgem.gov.uk/publications-and-updates/riio-2-sector-specific-methodology-consultation.

CVP name and description	Draft Determinations summary	Consultation response summary	Ofgem's Final Determination
Enhanced GSoPs and voluntary payments: Additional payments to customers for when WWU fails to provide an agreed level of service above statutory requirements, delivering £0.32m benefit over RIIO-GD2.	**Reject:** Multiple GDNs provided additional payments for GSOPs in RIIO-GD1, so we do not think this goes above or beyond customer expectations. We also already proposed to double payments for RIIO-GD2.	No specific feedback was provided on our proposal.	**Reject:** We have decided to adopt our Draft Determinations position as we have no additional substantive evidence to justify a change.
Theft of gas: WWU aims to recover an average minimum of £500,000 per annum over RIIO-GD2 in lost costs due to theft of gas, delivering £1.6m benefit over RIIO-GD2 and £1.9m in RIIO-GD3. WWU commits to help vulnerable and low-income homes by helping those customers to register with a gas supplier.	**Reject:** We did not propose to accept the associated ODI proposal (Theft of gas), so it should not receive a CVP reward. WWU also did not provide sufficient evidence that the commitment to register vulnerable and low-income homes was beyond BAU.	WWU thought that its models for proactive work on theft of gas were well justified and showed a large net benefit to customers.	**Reject:** We have decided to implement our Draft Determinations position as we have no additional substantive evidence to justify a change. Also, the common approach we are applying to all GDNs for gas theft is based on a methodology considered by Ofgem in 2014,[27] not the methodology WWU proposed. We don't think that WWU's methodology would have increased the likelihood of a large net benefit relative to our approach, so a CVP reward is not justified. See Chapters 2 and 4 of the GD Annex for more detail.

[27] https://www.ofgem.gov.uk/publications-and-updates/decision-incentive-arrangements-gas-distribution-networks-gas-theft-during-conveyance-and-unregistered-sites

CVP name and description	Draft Determinations summary	Consultation response summary	Ofgem's Final Determination
Use-it-or-lose-it allowance: - access to additional services - safety in the home for those with dementia - bespoke financial support for those on low incomes - financial and practical support for local communities - Carbon Monoxide (CO) awareness and provision of free monitors to most vulnerable. Delivers £10.3m benefit over RIIO-GD2.	**Reject:** WWU did not provide sufficient evidence that its proposals went beyond the activities we would expect to be funded through the Vulnerability and Carbon Monoxide Allowance (VCMA).	WWU believed its proposals for tackling fuel poverty and raising CO awareness were well justified and showed a large net benefit to customers.	**Reject:** We have decided to implement our Draft Determinations position. The proposal involves the type of activity we expect to be funded through the VCMA, as set out in our SSMD. It doesn't provide sufficient additional value to receive a CVP reward. We expect the GDNs to use the VCMA effectively and demonstrate value for money and a net positive social return on investment as good practice. All GDNs have based their vulnerability strategies on stakeholder engagement, so we don't think WWU's proposals go significantly beyond other GDNs' proposals or beyond BAU.

CVP name and description	Draft Determinations summary	Consultation response summary	Ofgem's Final Determination
Priority Services Register (PSR) – joined up utility approach: Commitment to deliver at least 12,000 PSR signups per annum, delivering £60m benefit over RIIO-GD2.	**Reject**: We encourage the GDNs as an industry to continue to actively promote the PSR, but do not think that PSR signup activity is sufficiently beyond activities typically undertaken by a GDN as BAU, or beyond what other GDNs proposed, to warrant a CVP reward. We support the work WWU proposed to create a cross utilities PSR and encourage it to use the VCMA to carry it out.	WWU believed its proposals for tackling fuel poverty and raising CO awareness were well justified and showed a large net benefit to customers.	**Reject:** We have decided to adopt our Draft Determinations position. The proposal involves the type of activity we expect to be funded through the VCMA, as set out in our SSMD. It doesn't provide sufficient additional value to receive a CVP reward. We expect the GDNs to use the VCMA effectively and demonstrate value for money and a net positive social return on investment as good practice. All GDNs have based their vulnerability strategies on stakeholder engagement, so we don't think WWU's proposals go significantly beyond other GDNs' proposals or beyond BAU. We support the work WWU proposed to create a cross utilities PSR and encourage it to use the VCMA to carry it out.

CVP name and description	Draft Determinations summary	Consultation response summary	Ofgem's Final Determination
Environmental Action Plan targets: Adapting to climate change, avoiding future costs for customers, preserving the natural capital, increasing biodiversity and promoting wellbeing. Educating schoolchildren on environmental issues. Delivering £3.23m benefit over RIIO-GD2.	**Reject**: The focus of this CVP is on community projects and school events to raise environmental awareness and tree planning. We do not think these activities go beyond what other GDNs are doing, and thought they constituted corporate social responsibility (CSR) activities that are not within WWU's business footprint and that CSR should be BAU for GDNs.	WWU challenged the consistency of rewarding proposals in Transmission for maintaining and enhancing ecological diversity while rejecting this proposal.	**Reject:** We have decided to adopt our Draft Determinations position. We acknowledge WWU's comments but maintain that the focus of this CVP is on community projects and school events to raise environmental awareness and tree planting, which are CSR activities outside of WWU's footprint. Additionally, as stated in the Draft Determinations, WWU's proposed performance is comparable to Cadent's current performance. We do not believe the CVPs accepted in Transmission are comparable as they are for more specific biodiversity investments related to areas impacted by construction and improving natural capital of land at network-owned sites.

Whole systems data and Pathfinder with local authorities, academia and other networks: Two key data sharing innovations that will continue to be delivered and enhanced over RIIO-GD2. This will include the sharing of network data and the sharing of the 2050 Energy Pathfinder model, delivering £28.2m benefit over RIIO-GD2 and £11.2m over RIIO-GD3.	**Reject**: It was not clear that this proposal goes beyond what is expected given the work that WWU is already doing in this area, and the development of the pathfinder model was consumer funded through the NIA in RIIO-GD1. However, we proposed to provide a baseline Totex allowance for the rollout of the model (subject to further evidence).	WWU responded that the Pathfinder model was not consumer funded through the NIA, but predominately funded by WWU. It provided further evidence in support of additional baseline costs, as well as further evidence of stakeholder engagement.	**Reject:** We have decided to adopt our Draft Determinations position for this CVP. We acknowledge that the original Pathfinder model was funded by WWU. However, the upgraded Pathfinder+ model, which the proposal intends to rollout, was funded through the NIA and is therefore subject to knowledge transfer requirements. We are satisfied that the additional evidence of value to consumers and stakeholders, which we asked for at Draft Determinations, broadly supports the proposal as set out in WWU's Business Plan. We are however, concerned that the revised costs in the additional evidence have increased significantly despite the number of proposed data sharing projects remaining unchanged. We have therefore decided to provide a baseline Totex allowance of £1.1m (in line with the Business Plan) to support the rollout of the model. At Draft Determinations we said a condition of providing the baseline Totex funding will be to share learning not only among GDNs but wider stakeholders. As such, WWU must follow similar

CVP name and description	Draft Determinations summary	Consultation response summary	Ofgem's Final Determination
			knowledge transfer requirements to projects funded under our NIA. However, we do not believe we should copy the NIA knowledge sharing for intellectual property rights (IPR). As this is not a NIA project, it is not possible to specify specific IPR rules that must be followed.
NIA vulnerable customers: Innovation projects that identify and safeguard, and improve the lives of vulnerable customers, delivering £0.4m benefit over RIIO-GD2.	**Reject**: The CVP did not go sufficiently beyond what we expect from GDNs to use their NIA.	WWU believed its proposals for tackling fuel poverty and raising CO awareness were well justified and showed a large net benefit to customers.	**Reject:** We have decided to adopt our Draft Determinations position. The NIA is a common mechanism we set out in our SSMD. We expect GDNs to use the NIA effectively and demonstrate value for money and a positive CBA.
0.5% efficiency saving: Commitment to achieve cost efficiency savings on WWU's Total Expenditure of 0.5% per year, delivering £17.6m benefit over RIIO-GD2.	**Reject**: Efficiency is already rewarded through other mechanisms in the price control, including the BPI Stage 4 and the TIM.	No specific feedback was provided on our proposal.	**Reject:** We have decided to adopt our Draft Determinations position as we have no additional substantive evidence to justify a change.

Summary of decisions – bespoke Uncertainty Mechanisms

A1.6 This section sets out our decisions on the UMs that WWU proposed in its Business Plan, including our consideration of the Draft Determination responses and our rationale.

Table 56: WWU's bespoke UM proposals

UM name and description	Draft Determinations summary	Consultation response summary	Ofgem's Final Determination
Net zero review mechanism: WWU proposed a flexible funding mechanism to enable it to meet its net zero ambition while protecting customer bills and network financeability.	**Reject:** We welcomed the evidence WWU presented alongside this proposal. We agreed that an uncertainty mechanism was needed to meet the net zero challenge. We proposed a cross sector Net Zero Re-opener for RIIO-2.[28]	No specific feedback on our position. However, there was considerable related feedback (including from GDNs and CEGs) on the common Net Zero Re-opener and our overall suite of Net Zero mechanisms.	**Reject:** We have decided to implement our Draft Determinations position as we have no additional substantive evidence to justify a change. We think WWU's broad objectives are supported by our wider suite Net Zero mechanisms for RIIO-2. See Chapter 4 of our GD Annex and Chapter 8 of the Core Document.
Specified streetworks: The probability of legislative development is high given the current uptake of permit and lane rental schemes.	**Reject:** We proposed to merge this proposal into a new common re-opener to address the uncertainty for future costs associated with new permit and lane rental schemes not yet in operation.[29]	A consumer representative group and the RIIO-2 CG agreed with our proposal to introduce a common re-opener instead of bespoke mechanisms. See Chapter 4 of our GD Annex (specified streetworks re-opener) for a summary of responses to our proposals for the common re-opener.	**Reject:** We have decided to implement our Draft Determinations position as we have no additional substantive evidence to justify a change. See Chapter 4 of our GD Annex for the common specified streetworks re-opener.

[28] Draft Determinations Core Document paragraphs 8.16-8.38.
[29] See Draft Determinations GD Annex paragraphs 3.124-3.127, and 4.78-4.83.

UM name and description	Draft Determinations summary	Consultation response summary	Ofgem's Final Determination
Smart meters rollout costs: The risk is carried over from RIIO-GD1 and WWU therefore propose to continue with a re-opener mechanism or consider a possible volume driver as discussed by Ofgem within the RIIO-2 SSMD.	**Reject:** We proposed to merge this proposal into a new common re-opener to address the uncertainty associated with the timing of the programme.[30]	A consumer representative group and the RIIO-2 CG supported our proposed new common re-opener instead of bespoke mechanisms. See Chapter 4 of our GD Annex (smart meter rollout re-opener) for a summary of responses to our proposals for the common re-opener.	**Reject:** We have decided to implement our Draft Determinations position as we have no additional substantive evidence to justify a change. The responses received supported our position. See Chapter 4 of our GD Annex for details of the smart meter rollout re-opener.
Changes to charging boundary: As the use of the gas distribution network evolves, the likelihood of a charging boundary review increases.	**Reject:** We proposed to merge this specific provision into our Heat Policy re-opener.[31] We agreed that the outcome is uncertain and may result in increased costs for gas networks.	A consumer representative group and a CEG agreed there should be a re-opener and welcomed its inclusion in the Heat Policy re-opener instead of bespoke mechanisms. See Chapter 4 of our GD Annex (Heat Policy re-opener) for a summary of responses to our proposals for the common re-opener.	**Reject:** We have decided to implement our Draft Determinations position as we have no additional substantive evidence to justify a change. The responses received supported our position. See Chapter 4 of our GD Annex for details of the Heat Policy re-opener.

[30] Draft Determinations GD Annex paragraphs 3.128-3.131 and 4.73-4.77.
[31] Draft Determinations GD Annex paragraphs 4.49-4.61.

UM name and description	Draft Determinations summary	Consultation response summary	Ofgem's Final Determination
Large load connection costs: As the UK Government has ruled out coal generation from 2025, there is the possibility that additional large gas-fired electricity generation plants will fill this large generation gap.	**Reject:** We proposed to merge this proposal into a new common large load connections and reinforcement re-opener.[32]We considered that there was sufficient evidence the network company cannot manage the uncertainty within its baseline allowance.	There was no specific feedback on this proposed UM. The RIIO-2 CG agreed with our approach of rejecting UMs that are included in common UMs instead of bespoke mechanisms. See Chapter 4 of our GD Annex (new large load Connection(s) re-opener) for a summary of responses to our position on the common re-opener.	**Reject:** We have decided to implement our Draft Determinations position, as we have no additional substantive evidence to justify a change. See Chapter 4 of our GD Annex for details of the new large load Connection(s) re-opener.
Loss of development land claims: Given the high level of uncertainty around the volume and financial cost of development loss claims and the exercise by landowners of lift and shift clauses in some Deeds, it is difficult to set baseline funding to cover this area.	**Reject:** We consider land development claims to be part of BAU activities associated with operating a distribution network. WWU did not provide sufficient evidence to support the suggestion that the number, or materiality, of the claims will rise in RIIO-GD2. In RIIO-GD1, the GDNs are treating these costs as Totex overspend and therefore share the costs with customers and this should continue.	WWU responded with considerable additional information. It provided a detailed schedule of potential claims, potential value at risk for each claim, costs of mitigation by pipeline diversion and probability of each claim materialising.	**Reject:** We have decided to implement our Draft Determinations position that this bespoke UM be rejected. However, based on the new evidence from WWU, we accept that there is a potential material cost and volume uncertainty that makes it appropriate for a re-opener. Therefore, we have included loss of development land claims in the scope of the Pipeline Diversions and Loss of Development Claims re-opener. See Chapter 4 of our GD Annex.

[32] Draft Determinations GD Annex paragraphs 4.66-4.72.

UM name and description	Draft Determinations summary	Consultation response summary	Ofgem's Final Determination
Changes to DCC funding arrangements: There has been some industry discussion about GDNs potentially becoming individual members and funding the Data Communications Company.	**Reject:** GDNs are not mandated to be DCC Users and WWU has not sufficiently evidenced that a re-opener is required for this during RIIO-GD2.	There was no specific feedback on our position.	**Reject:** We have decided to implement our Draft Determinations position as there is no substantive evidence to change our position.
Data Strategy: While WWU support the principle of 'open data', there is currently no understanding of the impact this may have on stakeholder commitments and Totex cost requirements. WWU proposes a re-opener mechanism that would be triggered once there is more clarity on the direction of travel.	**Reject:** We did not consider that there was sufficient justification for the need, and operation of a re-opener mechanism above baseline IT and Telecoms Totex.[33]	No specific feedback was provided on our position.	**Reject:** We have decided to implement our Draft Determinations position as we have no additional substantive evidence to justify a change.

[33] See Draft Determinations Core Document paragraphs 4.20-4.35, and Draft Determinations GD Annex paragraphs 3.153-3.154.