Minutes

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Making a positive difference
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RIGs Development Working Group – Meeting 4		
From: Ofgem	Date: 10th February 2021 Time: 09:30 – 13:00	Location: Teleconference

1. Present

Ofgem

Cadent
NGN   GDNs
SGN
WWU

2. Introduction & action points update

2.1. The WG (Working Group) discussed action points from the previous WG meeting. This included:

- Progress made on hydrogen readiness reporting coordinated by Cadent. This is expected to be completed by the end of February 2021.

- SGN reviewing inputs from other GDNs to update Repex stubs definition for GD2 Regulatory Instruction Guidance (RIGs).

- GDNs working to simplify the data reporting on Repex dynamic growth. This is expected to be issued to Ofgem at the end of February 2021.

- WWU leading GDNs to develop Covid-19 impact reporting table for GD2 RRP template. WWU to present recommendations in the next WG scheduled for early March 2021.

3. Network Asset Risk Metrics (NARMs)

3.1. Ofgem provided an update of NARMs data requirements for RIIO-GD2.

3.2. Ofgem confirmed a separate GD2 NARM RRP is being developed which will work alongside the GD2 RRP. The NARM RRP will be used to capture more detailed intervention data (e.g. replacement and refurbishment) and monetised risk data.

3.3. The GD2 RRP will be mapped to the NARM RRP to ensure easy data export between the RRPs.

3.4. GDNs raised concerns about large volume and separate reporting required for NARMs.

3.5. Ofgem explained that the intention was to have a relatively standardised set of NARM reporting tools across sectors and therefore the preference was to keep these separate from the sector RRPs.

3.6. Ofgem confirmed the NARM RRP will contain detailed data for future policy development and setting RIIO-GD3 price control allowances.

3.7. GDNs noted that the level of NARM reporting has typically been quite burdensome and urged Ofgem to minimise duplication between the NARM and sector RRPs.

3.8. Ofgem agreed with GDNs that it is important to minimise data duplication between the above RRPs.

3.9. It was agreed detailed NARM data requirements will be discussed in a separate NARMs Working Groups.

4. LTS, storage and entry – categories

4.1. Ofgem proposed this will be covered in GD2 RRP under five broad categories i.e. LTS Pipelines, Storage (Non-LTS), PRS, NTS Offtakes and Embedded Gas Entry Points.

4.2. Data will be captured at gross costs and contributions levels, and in some cases, volumes will be recorded where applicable.

4.3. GDNs were broadly positive to the proposed GD2 data requirements as they are similar to GD1.

4.4. Ofgem stated that the current RRP contains some secondary data (e.g. some of the project metrics) which is not machine readable and unsure about its relevance. Ofgem will review if the data is required for GD2 when NARMs RRP is completed.

4.5. For large LTS projects, i.e. over £0.5m, Ofgem proposed to introduce a unique project identifier alongside the project name. This is driven by past instances where project names were misspelled in different years making it difficult to track performance and compile multiple years' project costs.

4.6. SGN indicated that their Engineering Justification Packs (EJPs) were based on unique project reference numbers. This could be also used in the RRP which will make it easy to link with its source materials i.e. EJPs.

4.7. There were some discussions on current projects in GD1 moving across to GD2 on how the total project costs will be reported and if required to be split by price controls. Ofgem will liaise with RIIO GD1 close out colleagues on the reporting requirements for such projects.

4.8. For small LTS projects, i.e. under £0.5m, Ofgem proposed to roll the projects into a single row and report at an aggregate level, similar to GD1.

5. **Other Capex**

5.1. There was discussion on the appropriateness of GD1 Other Capex classifications and potential improvements for the GD2 RRP.

5.2. The WG discussed additions required for GD2 such as electric vehicle roll out.

5.3. NGN agreed to circulate its views on a clearer definition of Plant, Tools & Equipment and the feasibility of splitting costs across network and non-network activities.

5.4. Ofgem proposed to capture the following which is consistent with GD1 reporting:

- Projects below £0.5m: gross costs and contributions.

- Projects above £0.5m: gross costs and contributions, as well as total projected costs.

5.5. The above total projected costs will give Ofgem a useful snapshot of materiality for those projects spanning multiple years.

5.6. There were no objections to the above proposal.

6. Capitalised Overheads

6.1. Ofgem proposed under the new Business Support Cost (BSC) tab, which is being developed, costs will be split between direct and overhead (apportioned) and a further breakdown required by cost types i.e. opex, capex and repex.

6.2. GDNs raised concerns around reporting costs at lower levels of activities due to differences in apportionment methods used by networks. GDNs provided repex tier-1 as a typical example where the data is less accurate and will be difficult to compare unit costs between GDNs.

6.3. It was agreed that the above would require further discussions to decide the appropriate activity level for reporting to be incorporated into GD2 RRP.

7. Re-opener pipeline log

7.1. Ofgem confirmed plans to require GDNs to report anticipated re-opener applications as part of their annual RRP submissions.

7.2. Data required includes:

- The trigger for the application of the relevant re-opener mechanism.

- Likely date of application and probability of submissions.

- Potential value of adjustment to baseline allowances

- An outline description of the application to be submitted.

7.3. GDNs raised concerns on their ability to gather accurate data at annual submission month on agile activities such as streetworks. Ofgem assured GDNs the information provided will facilitate conversations and will not be used as a monitoring tool.

7.4. Some GDNs also raised concerns about this being an extra reporting requirement on them and would need to contact re-opener Leads on the feasibility of providing data covering the whole year.

8. GD2 RRP Longlist

8.1. Ofgem shared a longlist of the proposed tables for GD2 RRP and clarified that the list is work in progress and subject to changes.

8.2. The key input difference for the GD2 RRP is that GDNs with be required, on an annual basis, to copy and paste previous years' data into a new template to complete current year and forecast data.

8.3. There were no issues raised on the above and Ofgem said it will keep GDNs regularly updated on the GD2 RRP development.

9. AOB

9.1. Ofgem noted that the next WG will be policy focused and Ofgem Leads will be invited to discuss their policy areas.

9.2. Ofgem confirmed it will issue updated GD1 RRP and RIGs for 2020/21 reporting in March 2021.