

To: **Cadent Gas Limited**

(Company Number: 10080864)

Northern Gas Networks Limited

(Company Number: 05167070)

Scotland Gas Networks plc

(Company Number: SC264065)

Southern Gas Networks plc

(Company Number: 05167021)

Wales & West Utilities Limited

(Company Number: 05046791)

(together the "Licensees")

Direction under paragraph 8 of Standard Special Condition A40 (Regulatory Instructions and Guidance) ("SSC A40") of the Gas Transporter Licence granted to the Licensees under section 7 of the Gas Act 1986

Whereas –

1. The Licensees have each been granted a Gas Transporter Licence (the "Licence") under section 7 of the Gas Act 1986 (the "Act") and are subject to the conditions contained in the Licence.
2. In accordance with paragraph 10 of SSC A40 of the Licence, the Authority¹ gave notice on 26 February 2018 that it proposed to modify the Regulatory Instructions and Guidance (the "RIGs"). The aim of the RIGs is to enable the Authority to collect the information necessary to enable it to administer the Special Conditions of the Licence and, where not referenced in the Licence, the RIIO-GD1 Final Proposals.
3. The Authority requested that any representations on the proposed modifications be made on or before 26 March 2018. The Authority received representations from three of the Licensees. We considered the representations and made changes as set out in Appendix 1 to this Direction.
4. A copy of the modified versions of the 'RIIO-GD1 Gas Distribution Price Control – Regulatory Instructions and Guidance: Version 5.0' and 'RIIO-GD1 Gas Distribution Reporting and Revenue Pack: Version 5.0' templates are included in the Schedule to this Direction.

Now therefore –

In accordance with the powers contained in paragraph 8 of SSC A40 of the Licence, the Authority hereby modifies the RIGs in the manner specified in the attached Schedule.

This modification will take effect on 30 April 2018.

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

¹ Authority means the Gas and Electricity Markets Authority that is established under section 1 of the Utilities Act 2000. In this consultation, references to the Authority are used interchangeably with references to Ofgem and to the regulator.

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Steven McMahon, Associate Partner RIIO Networks
Duly authorised on behalf of the Authority

30 April 2018

Schedule to the Authority's Direction dated 30 April 2018

Regulatory Instructions and Guidance

A copy of the RIIO-GD1 Gas Distribution Price Control – Regulatory Instructions and Guidance: Version 5.0, RIIO-GD1 Gas Distribution Regulatory Reporting Template: Version 5.0 and RIIO-GD1 Gas Distribution Revenue Reporting Pack Template: Version 5.0 can be found on our website at:

<https://www.ofgem.gov.uk/publications-and-updates/direction-modification-riio-gd1-price-control-regulatory-instructions-and-guidance-version-50>

Appendix 1 to the Authority's Decision dated 30 April 2018

Modification of Regulatory Instructions and Guidance - Summary of [consultation](#) responses

Raised By	Area	Respondent Comment	Ofgem Comments
Cadent	Revenue Pack	The HMT inflation forecasts for GRPIFc did not reflect subsequent updates made to the 'Forecast for the UK Economy' publication. We believe that this has already been taken into account by Ofgem and will be corrected in the next issue.	This has now been updated to 3.4% in the RRP template.
Cadent	Revenue Pack	It appears an average year inflation number for 2017/18 has been inputted. Given that we don't yet have the full data set for 17/18, this can be rectified when the final template is issued.	Change made.
Cadent	Revenue Pack	Whilst it won't cause an immediate issue, the 2020/21 corporation tax rate has been updated to 18%, but this should be 17% per government budgets.	The rate has now been updated to 17% as per the summer 2016 budget announcement.
Cadent	Revenue Pack	One small suggested change to the templates is that input cells NIA bid preparation costs (BPC) are blocked out from 18/19 onwards to match recent licence changes.	Agreed - Removed formulae and greyed out the cells for these years to reflect the licence.
SGN	Revenue Pack	Corporation tax for year 2020/21 should be 17%.	The rate has now been updated to 17% as per the summer 2016 budget announcement.
SGN	Revenue Pack	Cell K14 has been populated incorrectly, should be 274.465.	The suggested figure has now been superseded by the latest ONS RPI CHAW figure published for March 2018. As a result, the average RPI is now 274.908, which we have updated in the Revenue RRP template.

SGN	Revenue Pack	Cells D14 – J14, RPI Indices (average Apr-May), not clipped to 3 decimal points.	Format updated.
SGN	Revenue Pack	Cell J30, Average specified rate should read 0.334.	Change made.
NGN	RRP – Tab 3.13 Streetworks	The Gas Distribution Costs and Outputs group have previously submitted a revised Streetworks table after recognising inconsistencies in reporting between the different companies, and would welcome a discussion on updating this table with Ofgem.	We do not propose to change the table at this time, but are considering this in the future.
NGN	RRP – Tab 4.3 LTS, Storage and Entry	The Project Dimensions, Workload and Projected Costs sections on this table could be removed as we are unsure they are used. If specific project level information is needed to review large projects this could be reviewed more usefully on an individual basis.	We do not propose to change the table at this time, but are considering this in the future.
NGN	RRP – Repex Tables	We would support including a reconciliation which calculates the Repex Tier 2a driver within the Repex tables, taking the actual mains laid volumes achieved in the year and multiplying them by the relevant unit costs, and comparing them to the values contained within Base Revenue.	We do not propose to change the table at this time, but are considering this in the future.
NGN	RRP – NIA	We would support including a split of costs into internal and external costs by project, which could then be used to provide a direct audit trail through to the separate Revenue submission which requires this split.	We do not propose to change the table at this time, but are considering this in the future.
NGN	RRP – Table 2.1 Totex PCFM/8.3 Guaranteed Standards	There is currently no mechanism in the tables for removing or adjusting for GSOS payments within Totex. This contradicts Appendix 2 – Totex definition Section 1.3, which states that compensation payments made in relation to standards of performance should be excluded from Totex. Adjusting for GSOS payments is consistent with our commitment that the doubling of our GSOS payments would be funded by NGN.	We do not propose to change the table at this time, but are considering this in the future.
Cadent	RRP – 2.2 Totex Costs Summary	Current year not correctly aligned.	Change made.

Cadent	RRP – 2.2 Totex Costs Summary	The check formula in row 145 is picking up the wrong year inflation figure from the 'Universal Data' Tab.	Change made.
Cadent	RRP – 2.2 Totex Costs Summary	Row 136 – total sub deducts – is picking up the wrong RPI from the 'Universal Data' Tab.	Change made.
Cadent	RRP – 2.3 Workload Summary	Current year not correctly aligned.	Change made.
Cadent	RRP – 2.3 Workload Summary	Cell F15 ('no of holders removed') on table 2.3 in the Ofgem template is looking at the previous year cell reference.	Change made.
Cadent	RRP – 2.3 Workload Summary	Description in cell A7 references '2015'.	Description amended to current year "2018".
Cadent	RRP - 2.4 Safety	Current year not correctly aligned.	Current year has been aligned.
Cadent	RRP – 2.5 Reliability	Current year not correctly aligned.	Current year has been aligned.
Cadent	RRP – 2.6 Environmental	Current year not correctly aligned.	Current year has been aligned.
Cadent	RRP – 2.7 Performance Snapshot	Corrections as follows: - D5 change description to 'Actual 2017/18' - D19 - multiple by 100 to convert from decimal - D24, D25, change formula cell references to point to current year on table 2.3 - D29, D30 change formula cell references to point to current year on table 2.4- D32 - change formula to row 24 and cell reference to point to current year in table 2.6 - D36, D37, D38 - changed formula cell references to point to current year in table 2.2.	Changes made.
Cadent	RRP – 3.8 Maintenance	Cell A15 description requires amending to remove the reference to 'Inc. Buy Outs' as these costs will be captured on table 5.4 Risers.	Change made.
Cadent	RRP – 4.8 PSUP	Data table currently shows the current year actuals as 2017 in cell M8.	Current year has been aligned.
Cadent	RRP – 4.8 PSUP	Data table currently shows the current year actuals as 2017 in cell I57.	Current year has been aligned.

Cadent	RRP – 5.1 Repex Summary	To include the costs associated with the new rows added on table 5.4 ('Planned permanent isolation' and 'Permanent isolation on Failure'), the formulae in cells G61 need amending.	Formulae amended as suggested to: ='5.4 Risers'!F21+'5.4 Risers'!F25+'5.4 Risers'!F29+'5.4 Risers'!F33+'5.4 Risers'!F37+'5.4 Risers'!F41
Cadent	RRP – 5.1 Repex Summary	To include the workload associated with the new rows added on table 5.4 ('Planned permanent isolation' and 'Permanent isolation on Failure'), the formulae in cells G62 need amending.	Formulae amended as suggested to: =+'5.4 Risers'!G21+'5.4 Risers'!G25+'5.4 Risers'!G29+'5.4 Risers'!G33+'5.4 Risers'!G37+'5.4 Risers'!G41
Cadent	RRP – 7.4 PREs, Reports & Repairs	Title repeated in column C.	Duplicated title deleted from column C.
Cadent	RRP – 7.7 Environmental Other	Description in G14 points to incorrect cell reference.	Description amended.
Cadent	RIGs – Page 29	Table 3.5 (Business Support Allocation) has been removed and no longer reported on.	Reference has been removed.
Cadent	RIGs – Page 99	In respect of loss of supply, we suggest this would be shown better if it's separated out by Planned and Unplanned interruptions to reflect individual output targets; also volumes and durations view. For noting, the complaints metric is not scored out of 10.	Change made.
Cadent	RIGs – Page 60 Risers	The workload section to include reference to proposed changes to table 5.4, (refer to Excel changes). The 'breakdown of cost categories' is not required in this table. This applies to table 5.5 - Repex expenditure analysis.	Risers 5.4 - we do not propose to change the table at this time, but are considering this in the future. Change to table 5.5 has been made.
Cadent	RRP – 5.4 Risers	We propose insertion of new column (H) to capture 'No. of risers abandoned'. We propose the description in cell G16 to include 'installed'.	We do not propose to change the table at this time, but are considering this in the future.

SGN	RRP – 3.2 YoY movement	We would suggest that this template be deleted from the final RRP pack, as we will be explaining the movements in more detail in our accompanying commentary.	We have decided to keep the template.
SGN	RRP – 3.11 Related Party Transactions	We would suggest that this template be deleted from the final RRP pack, as we already report this information within our cross-subsidy report.	After consulting internally, we have decided to keep the template.
SGN	RRP – 7.6 Business Carbon Footprint	There seems to be inconsistencies in how the DNs are capturing the emissions from hired cars. If the RIGs could be updated to clearly state which scope these emissions should be captured under.	We do not propose to change the table at this time, but are considering this in the future.
SGN	RIGs – Page 10	Provision of Indirect Allocation methodology: a. still refers to reporting year 2014/15.	Changed to 2017-18 year.
SGN	RIGs – Page 12	Publication and Sharing of templates: a. first paragraph states we need to publish all series 2 including TOTEX PCFM – which we don't usually do, then on page 13 we list tables as 2.2 – 2.6 which require to be published - inconsistent across 2 pages.	We do not propose to change the table at this time, but are considering this in the future.
SGN	RIGs – Page 15	Paragraph 2.9: a. still refers to National Grid.	Reference changed to Cadent.
SGN	RIGs – Page 22-23	Instructions for completion boxes: a. Third paragraphs in the boxes mentions updating previous year's forecast, there is still a reference that 2013/14 should be left blank. This statement is now not relevant.	Reference to 2013/14 year has been deleted.
SGN	RIGs – Page 24	List of tables included in chapter: a. tables 3.4 Business Support Group and 3.6 Business Support Supplementary should be removed from this list, as they are no longer within the pack.	Change made.
SGN	RIGs – Page 61	Table 5.7 Mains Decommissioned a. Refers to original table submitted as part of 2013/14 RIGs should continue to be maintained. Is this still relevant?	Removed the second paragraph in the purpose and use by Ofgem section for Table 5.7