RIIO-2 Final Determinations – NGN Annex (REVISED)

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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.

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1. Introduction and overall package

Purpose of this document

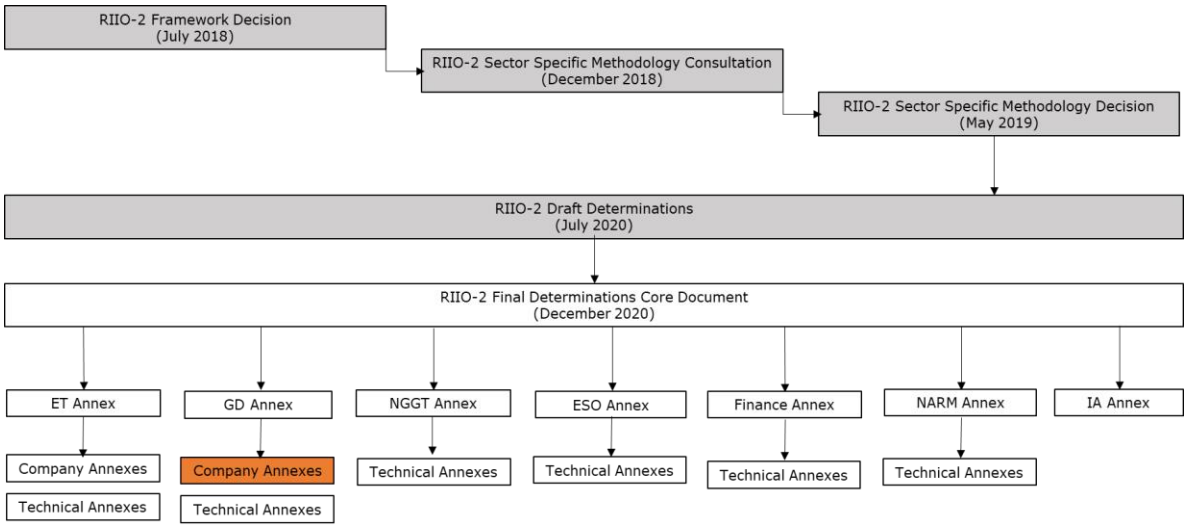
1.1 This document sets out our Final Determinations for the Gas Distribution (GD) price control (RIIO-GD2) for the areas that are specific to NGN focusing on its:

- 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 NGN's RIIO-2 price control

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

1.5 We present a summary of NGN'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: NGN's submitted versus allowed baseline totex (RIIO-GD2 total, £m, 2018/19 prices)

Network company	Submitted totex (Dec 19)	Resubmitted totex (Sep 20)	DD position	FD decision	FD vs. Sep 20 baseline request (£m, %)	
NGN	1,249	1,250	1,083	1,186	-64	-5.1%

1.6 Table 2 sets out the package of outputs that will apply to NGN during RIIO-2 – Further details are contained within Chapter 2[4]. For further details of our decisions on the bespoke proposals in NGN's Business Plan see Appendix 1.

[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 – NGN Annex, abbreviated to NGN Annex).
[4] Where the source document is not stated, we are referring to this document (SGN Annex).

Table 2: RIIO-2 outputs package for NGN

Output name	Output type	Network company	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[5]	All	
Fuel Poor Network Extension Scheme	ODI-R and capped volume driver	All	
Customer satisfaction survey	ODI-F	All	
Complaints metric	ODI-F	All	
Guaranteed Standards of Performance (GSOPs)	LO[6]	All	
Emergency response time	LO	All	
Unplanned interruptions	ODI-F	All (except Cadent)	
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)	UIOLI 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
Outputs bespoke to NGN			
Deliver an environmentally sustainable network			
Job completion lead-time including re-instatement	ODI-R	NGN	Chapter 2

[5] The Vulnerability and Carbon Monoxide Allowance is a UIOLI but has output status.

[6] 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.

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

Table 3: RIIO-2 Uncertainty Mechanism package for NGN

Uncertainty Mechanism	UM type	Network company	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 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	
Multi occupancy buildings (MOBs) safety	Re-opener	All GDNs	
Heat policy	Re-opener	All GDNs	
Domestic connections	Volume driver	All GDNs	

Uncertainty Mechanism	UM type	Network company	Final Determination section
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 On innovation funding, we have decided to set NGN's RIIO-2 NIA funding at £11.5m (further details can be found in Chapter 5).

1.9 Table 4 summarises the outcome of NGN'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 NGN

BPI Stage	Outcome	Final Determination Section
1	No penalty	Chapter 6 and Chapter 10 of Core Document
2	£0m	
3	-£3m	
4	£5.1m	
Overall	Reward of £2.1m	

1.10 We have decided to set NGN's RIIO-2 Totex Incentive Mechanism (TIM) sharing factor for NGN 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 NGN. Please refer to the Finance Annex for more detail on these areas.

Table 5: RIIO-2 financing arrangements for NGN[7]

Finance parameter	NGN	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%	

[7] 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 NGN. 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 NGN-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)[8]

Network	2021/22	2022/23	2023/24	2024/25	2025/26	Total
NGN	1.03	1.03	1.03	1.03	1.03	5.16
Collaborative projects - NGN share[9]	0.34	0.34	0.34	0.34	0.34	1.72
Total[10]	**1.38**	**1.38**	**1.38**	**1.38**	**1.38**	**6.88**

Fuel Poor Network Extension Scheme

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

Network	ODI-R Target	Volume driver cap	Volume driver unit costs[11]
	Number of connections – RIIO-GD2 total	*Number of connections – RIIO-GD2 maximum*	*£ per service connection*
NGN	5,000	10,000	1,946

[8] Allowances per year do not have to be spent within each year and can be rolled over.
[9] 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.
[10] Subtotals may not add up to sum of line items due to rounding.
[11] Includes Ofgem assessment of ongoing efficiency.

Unplanned Interruptions

Table 6: Final Determinations Decision - ODI-F Minimum performance and Excessive Deterioration levels for NGN (hours)

Network	Minimum performance level	Excessive Deterioration level
	Annual average duration (hours)	*Annual average duration (hours)*
NGN	10	17.5

NGN specific outputs

2.3 This section sets out details of NGN specific outputs.

Job completion lead time including re-instatement

Purpose: A reputational ODI to reduce the time between customers paying for a standard connection service (or alteration) and NGN completing the work.

Benefits: Faster connections and alterations leading to increased customer satisfaction.

Table 7: Final Determinations Decisions - ODI-R Job completion lead time including reinstatement

Output parameter	Final Determination	Draft Determinations[12]
ODI type	Reputational	Same as FD
Measurement	Percentage of connection/alteration requests completed within 20 days of payment	
Performance target	45% by the end of RIIO2	N/A
Reporting method	NGN must report on its performance via the Regulatory Reporting Pack (RRP).	Same as FD
Applied to	NGN	
Licence condition	No	N/A

Final Determinations rationale and Draft Determinations responses

2.4 We have decided to accept this proposal as an ODI-R, implementing our Draft Determinations position, recognising the customer value this will deliver.

2.5 This ODI-R will require NGN to complete works for a connection or alteration service at sites where flow rates are below 275kWh per hour within 20 working

[12] Draft Determinations NGN Annex paragraphs 2.11-2.13.

days of payment.[13] This will encourage faster standard connections and alterations.

2.6 NGN provided further evidence, as requested, in our Draft Determinations, setting a maximum performance target of 45% by 2025/26. We consider this to be stretching as currently this standard is achieved 31% of the time.

Outputs removed in our Final Determinations

2.7 This section includes outputs that we proposed to accept in our Draft Determinations consultation position but which we have now decided to remove after reviewing stakeholder responses and relevant evidence.

Community partnering fund

2.8 We have decided to reject this proposal as an ODI-R, but still expect NGN to undertake this activity during RIIO-GD2. We consider that the creation of a community fund is corporate social responsibility (CSR) and standard practice for many utilities. We think an ODI-R is not appropriate because the activity is not within NGN's business footprint and our decision responds to stakeholder feedback.

2.9 At Draft Determinations we proposed to accept NGN's proposed bespoke ODI to invest £50,000 a year into its community partnering fund, in collaboration with Northern Powergrid.[14] NGN said that our proposal to accept this ODI-R was inconsistent with our proposal to reject the associated CVP due to it being CSR which we consider to be business as usual (BAU). We agree that our rationale was inconsistent, and we have therefore decided that an ODI-R is not appropriate for this commitment.

2.10 We still expect NGN to deliver this Business Plan commitment, so we will monitor delivery through the RRPs, as proposed at Draft Determinations. We note that a consumer representative group supported our proposal to accept this ODI-R to ensure delivery, but we think annual reporting through our RRP is sufficient oversight to monitor its delivery. We would also encourage NGN to report on how

[13] For avoidance of doubt, this means the date of completion works should be no later than 20 working days from the receipt of payment for the service.
[14] Draft Determinations NGN Annex paragraphs 2.20-2.21.

the fund is spent, and the benefits delivered, to its stakeholders as an internal Key Performance Indicator (KPI).

Hardship fund

2.11 We have decided to reject this proposal as an ODI-R, but still expect NGN to undertake this activity during RIIO-GD2. We consider that the creation of a community fund is CSR. We think an ODI-R is not appropriate because the activity is not within NGN's business footprint and our decision responds to stakeholder feedback.

2.12 At Draft Determinations we proposed to accept NGN's proposed bespoke ODI to provide £150,000 a year, funded by its shareholders, to help provide financial support for customers who are most in need.[15] NGN said that our proposal to accept this ODI-R was inconsistent with our proposal to reject the associated CVP on the basis that it is CSR which we consider to be BAU. We agree that our rationale was inconsistent, and we have therefore decided that an ODI-R is not appropriate for this commitment.

2.13 We still expect NGN to deliver this Business Plan commitment, so we will monitor delivery through the RRPs, as proposed at Draft Determinations. We note that a consumer group supported our proposal to accept this ODI-R to ensure delivery, but we think annual reporting through the RRP is sufficient oversight to monitor its delivery. We also encourage NGN to report on how the fund is spent, and the benefits delivered, to its stakeholders as an internal KPI.

Maintaining a safe and resilient network

GD Sector outputs

2.14 We set out our decisions for the NGN-specific parameters in the following tables.

[15] Draft Determinations NGN Annex paragraphs 2.22-2.23.

Repex

Tier 1 mains replacement

Table 7: Final Determinations Decision - Tier 1 mains Baseline Target Workloads for NGN (kilometres mains decommissioned)

NGN	2021/22	2022/23	2023/24	2024/25	2025/26	RIIO-GD2 Baseline Target Workload
Workload Activities						
All materials						
a. <=3"	16.3	16.3	16.3	16.3	16.3	**81.6**
b. 4"-5"	224.4	224.4	224.4	224.4	224.4	**1,122.0**
c. 6"-7"	123.1	123.1	123.1	123.1	123.1	**615.3**
d. 8"	65.1	65.1	65.1	65.1	65.1	**325.5**
Total	**428.9**	**428.9**	**428.9**	**428.9**	**428.9**	**2,144.3**
Note: Subtotals may not add up to sum of line items due to rounding						

Table 8: Final Determinations Decision - Tier 1 mains Baseline Allowance (£m, 2018/19 prices)

NGN	2021/22	2022/23	2023/24	2024/25	2025/26	RIIO-GD2 Baseline Allowance
Tier 1 mains baseline allowance						
NGN	43.9	43.4	45.2	44.6	44.1	**221.2**
Note: Subtotals may not add up to sum of line items due to rounding						

Table 9: Final Determinations Decision - Tier 1 mains ex ante unit costs for NGN (RIIO-GD2, £/km mains decommissioned, 2018/19 prices)

NGN	RIIO-GD2 ex ante unit costs
Tier 1 iron mains decommissioned	
a. <=3"	71,336
b. 4"-5"	78,966
c. 6"-7"	114,989
d. 8"	172,195
Note: Unit costs for Tier 1 mains PCD. Unit costs exclude RPEs.	

Tier 1 services PCD

Table 10: Final Determinations Decision - Tier 1 service interventions Baseline Target Workloads for NGN (No. of services)

NGN	2021/22	2022/23	2023/24	2024/25	2025/26	RIIO-GD2 Baseline Target Workloads
Tier 1 service interventions						
Relay	17,696	17,696	17,696	17,696	17,696	**88,481**
Test and transfer	11,798	11,798	11,798	11,798	11,798	**58,988**
Totals	**29,494**	**29,494**	**29,494**	**29,494**	**29,494**	**147,469**
Note: Subtotals may not add up to sum of line items due to rounding						

Table 11: Final Determinations Decision - Tier 1 services Baseline Allowances for NGN (£m, 2018/19 prices)

NGN	2021/22	2022/23	2023/24	2024/25	2025/26	RIIO-GD2 Baseline Allowance
Baseline Cost Allowance						
Tier 1 services Baseline Allowances						
NGN	7.9	7.8	8.2	8.1	8.0	**40.0**
Note: Subtotals may not add up to sum of line items due to rounding						

Table 12: Final Determinations Decision - Tier 1 service interventions ex ante unit costs for NGN (RIIO-GD2, £/service, 2018/19 prices)

NGN	RIIO-GD2 Baseline Target Workloads
Ex ante unit costs	*£m/serv.*
Tier 1 service interventions	
Relay	319
Test and transfer	201
Note: Unit costs for Tier 1 services PCD. Unit costs exclude RPEs.	

NARM PCD and ODI-F

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

Table 13: Summary of Final Determinations Decision - NARM Baseline Network Risk Outputs

Network	Baseline Network Risk Output (R£m)[16]	Baseline Allowance (£m)[17]	Unit cost of Risk Benefit (£/R£)
NGN	10.0	176.6	17.7
Note: Baseline allowance included in 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.			

2.16 The data presented in Table 13 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 Gas Distribution Networks (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 have 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.

2.17 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

2.18 Table 14 summarises the projects included in the Capital projects PCD for NGN.

Table 14: Final Determinations Decision - NGN projects included in Capital projects PCD (RIIO-GD2 total, £m, 2018/19 prices)

Network	Cost category	Project name	RIIO-2 cost (£m)
NGN	LTS, Storage & Entry	TransPennine[18]	19.47

[16] The unit used to denote Monetised Risk values. R£ is used to differentiate from financial monetary values.
[17] Baseline Allowance includes RPEs.
[18] NGN proposed a bespoke PCD for TransPennine Rail Electrification, but we decided to merge it into the common Capital Projects PCD.

Network	Cost category	Project name	RIIO-2 cost (£m)
NGN	Other Capex	Overcrossings	8.34

Outputs removed in our Final Determinations

2.19 This section includes outputs that we proposed to accept in our Draft Determinations consultation position but which we have now decided to remove after reviewing stakeholder responses and relevant evidence.

Outstanding repairs

2.20 We have decided to not include this ODI-R at Final Determinations. At Draft Determinations, we proposed to set an ODI-R for NGN that would merge its proposed 7-day and 28-day repair targets, on the basis that these were stretching relative to NGN's RIIO-GD1 performance and were supported by its consumers.

2.21 We analysed all GDNs' performance in RIIO-GD1 against the 28-day standard. This showed that while NGN would need to improve to reach its proposed target, several GDNs are already performing better than this level. WWU said the level of commitment was broadly aligned with performance they had achieved in 2019. Cadent commented that it is largely delivering the level of NGN commitment as BAU and is exceeding the proposed 28-day target. SGN commented that its 28-day performance in RIIO-GD1 already nearly delivers the proposed final year of the RIIO-GD2 target in the proposal. SGN also noted that it had not requested a CVP for its own performance in timeliness of repairs and argued that we should take a consistent approach. A Customer Engagement Group (CEG) made the same point.

2.22 For the 7-day target, we requested additional evidence from all GDNs on their performance to carry out a complete comparison across networks. While we accept that the data is not 100% comparable across all the GDNs, we do think it is robust enough to demonstrate that the level of commitment in NGN's proposal is not significantly stretching when compared to existing performance. We have therefore decided that this is not a stretching target, and NGN should be able to achieve it without the need for an ODI-R.

2.23 We do think there is merit in measuring GDN performance against a 7-day standard and will look to start collecting data on this through the RRPs. We will

consider how this should be implemented during the Regulatory Instructions and Guidelines (RIGs) development process in early 2021.

Delivering an environmentally sustainable network

GD Sector outputs

2.24 We set out our decisions for the NGN-specific parameters in the following tables.

Commercial Fleet EV PCD

Table 15: Final Determinations Decision – Target Volume Units for NGN (No. of vehicles and charge points)

Network	Output Category	Specification	Total Units over RIIO-GD2
NGN	Small Van	Gross vehicle weight: max. 2,300kg	30
	Medium Van	Gross vehicle weight: max. 3,300kg	116
	Supporting Infrastructure	EV Charging point	182

3. Setting baseline allowances

Introduction

3.1 This chapter sets out our decision on allowances for the different cost areas within NGN's Business Plan 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.[19] 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.[20]

3.4 Table 16 compares NGN's submitted baseline totex for each of its networks with our view.

Table 16: NGN baseline allowance (RIIO-GD2 total, £m, 2018/19 prices)

Cost area	Submitted totex Dec 19 (£m)	Resubmitted totex Sep 20 (£m)	Ofgem DDs allowed totex (£m)	Ofgem FD allowed totex (£m)	DDs vs submitted (%)	FD vs submitted (%)
Direct opex	313	313	318	310	2%	-1%
Indirect opex	132	132	131	128	-1%	-3%
Capex	274	275	255	258	-7%	-6%
Repex	530	530	379	490	-28%	-8%
Totex	**1,249**	**1,250**	**1,083**	**1,186**	**-13%**	**-5%**

3.5 We have allowed £1,186m of NGN's £1,250m baseline request. Of this baseline allowance, we have tied £508m to PCDs to ensure NGN is held accountable for

[19] Baseline totex, totex and forecast controllable costs will be used interchangeably.
[20] 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 several uncertainty mechanisms to assess potential expenditure during RIIO-GD2.

Summary of our assessment

3.6 Prior to modelling NGN's forecast totex, we separate out costs associated with activities considered more suited to technical assessment. For the remaining modelled totex, we also have distinguished between costs suitable for regression analysis and non-regression analysis. Table 17 details our breakdown of submitted totex for NGN.

Table 17: NGN 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	
NGN	1,249	1,250	1,101	53	96
% of submitted costs	**100%**	**100%**	**88%**	**4%**	**8%**

3.7 Adjustments to submitted costs under each of our assessment approaches are summarised in Table 18. 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 18: Step by step breakdown of adjustments (RIIO-GD2 total, £m, 2018/19 prices)

Network	Embedded OE adjustment	Modelled cost		Technically assessed adjustments	Ongoing efficiency adjustments	Total adjustments
		*Pre modelling adjustments**	*Benchmark efficiency adjustments**			
NGN	**25**	**-36**	**36**	**-37**	**-52**	**-64**

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

3.8 Table 19 summarises the pre-modelling adjustments for NGN.

Table 19: Pre-modelling adjustments, NGN (RIIO-GD2 total, £m, 2018/19 prices)

Network	Volume-related adjustments	UM related adjustments	Total pre-model adjustments
NGN	-28	-8	-36

3.9 For NGN, we have decided to remove £28m (net) of volume-related adjustments. We also removed £8m of costs and moved them to uncertainty mechanisms. We have added £5.5m to NGN's direct opex based on the outcome of the 2019 Triennial Valuation of the NGN Pension Scheme (NGNPS).

3.10 NGN ranked first in our benchmarking, resulting in no benchmarking efficiency adjustment.

3.11 For technically assessed costs, we have made the adjustments listed in the table below. The bespoke outputs we have included are presented in Chapter 2. Further details on other items are provided later in this chapter.

Table 20: Technically assessed costs adjustments, NGN (RIIO-GD2 total, £m, 2018/19 prices)

Network	Bespoke outputs	Capex and repex projects*	Resilience**	Total adjustments
NGN	-1	-27	-9	-37

* Includes allowance for electric vehicles and gasholder demolition

** Includes PSUP and cyber

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 made these adjustments following engineering and cost assessment reviews of NGN's Business Plan.

3.13 We provide details 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 21: NGN's opex cost drivers

Driver	**Driver Value**		**FD Decision**	**DD Position**
Network	*Submitted*	*Modelled*		
MEAV (£m, 2018/19)				
NGN	51,638	51,638	We have included revised risers numbers and embedded gas entry points	Risers and embedded gas entry points excluded
Maintenance MEAV (£m, 2018/19)				
NGN	10,014	10,014	We have included embedded gas entry points	Embedded gas entry points excluded
Emergency CSV (No., 80% customers number, 20% total external condition reports)				
NGN	4,560,547	4,562,313	Adjustments to total external condition reports	No adjustments to total external condition reports
Total External Condition Reports (No.)				
NGN	73,166	73,306	Upward adjustments to account for disallowed repex workloads	No adjustments for disallowed repex workloads

Table 22: Adjustments to cost repairs and condition reports (RIIO-GD2 total, £m, 2018/19 prices, No. of reports)*

Network	**Cost repairs (£m)**	**Mains condition reports (No.)**	**Service condition reports (No.)**
NGN	2.0	52	88
* Positive number indicates upward adjustment			

Final Determination rationale and Draft Determination responses

3.15 For Final Determinations, we have made upwards adjustments to repairs costs and the repairs cost driver where we have disallowed repex distribution mains workloads for NGN. We did not propose to make any adjustments to opex on this basis at Draft Determinations. This was raised by both NGN and the NGN CEG in responses to Draft Determinations. We agreed that it was reasonable to provide opex costs where repex workloads had been disallowed to ensure GDNs are

funded to maintain their networks. See the GD Annex for further details on feedback and our rationale. We made upwards adjustments according to the values presented in Table 22. Our methodology for calculating opex workload adjustments is explained in the GD Annex.

3.16 The adjustments made to total external condition reports also resulted in adjustments to the emergency CSV driver.

Repex

Final Determinations decision

Table 23: 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)					
NGN	2,122.9	2,122.9	2,122.9	We have allowed in full proposed Tier 1 mains workloads. NGN did not include dynamic growth in its forecasts for RIIO-GD2 workloads	As per FD
Steel <=2" (km)					
NGN	186.0	186.0	186.0	We have allowed in full proposed steel mains <=2" workloads	As per FD

Table 24: 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)					
NGN	10.1	10.1	10.1	We allowed in full-proposed workloads for Tier 2A as part of baseline modelling.[21]	As per FD

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

Table 25: 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)					
NGN	100.0	100.0	100.0	We allowed in full-proposed workloads for Tier 2B	As per FD
Tier 3 (km)					
NGN	50.0	50.0	22.3	We are partially allowing workloads for Tier 3	Disallowed in full

Table 26: 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*		
Steel >2" (km)					
NGN	149.9	149.9	139.4	We are partially allowing workloads for steel >2"	Disallowed in full

Table 27: Iron >30m from a building and Other Policy & Condition mains[22] commissioned workloads (RIIO-GD2 total, kilometres mains commissioned)

Network	Driver Value			FD position	DD position
	Submitted Dec 19	*Submitted Sep 20*	*Modelled*		
Iron mains >30m from a building (km)					
NGN	40.7	40.7	27.8	We are partially allowing workloads for iron >30m	Disallowed in full
Other Policy & Condition (km)					
NGN	18.4	18.4	12.6	We are partially allowing workloads for Other Policy & Condition	Disallowed in full

[22] 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.

Table 28: 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 discussed below), we have made corresponding downward adjustments to service interventions. All adjustments were made on a pro rata basis	Methodology as per FD
NGN	147,469	147,469	147,469		
Steel <=2" (No.)					
NGN	12,936	12,936	12,936		
Tier 2A (No.)					
NGN	206	206	206		
Tier 2B (No.)					
NGN	2,655	2,655	2,655		
Tier 3 (No.)					
NGN	1,402	1,402	625		
Iron main >30m (No.)					
NGN	0	0	0		
Steel mains >2" (No.)					
NGN	10,353	10,353	9,625		
Other Policy & Condition (No.)					
NGN	929	929	637		

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

Table 29: 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.)					
NGN	435	435	435	We have allowed in full the proposed workloads for non-domestic relay	As per FD
Domestic: Relay after escape (No.)					
NGN	20,179	20,179	20,179	We have allowed in full the proposed workloads for domestic relays after escape	As per FD
Domestic: Relay other (No.)**					
NGN	11,047	11,047	11,047	We have allowed in full the proposed workloads for other domestic relays	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)

Note: We have applied a workload reclassification to submitted values for services not associated with mains as provided by NGN following supplementary question responses NGN_SQ_CA_19 and NGN_SQ_CA_23 (total workloads have not changed).

Final Determinations rationale and Draft Determinations responses

3.17 We have decided to partially disallow workloads for Tier 3, steel >2", iron >30m and other policy and condition mains and associated services for NGN, as we do not think the economic needs case for these investments has been fully justified. We have assessed NGN's Draft Determinations submission through a detailed engineering and cost assessment process. Following this exercise, all Final Determinations decisions are detailed in the tables above and the commentary below per repex asset category.

3.18 In its Draft Determinations response NGN provided updated CBAs for all repex workloads we proposed to disallow at Draft Determinations. The updated CBAs provided a more granular breakdown of the submitted workloads and included differing assumptions on loss of *gas to* downstream customers in the event of a failure on the main. While the more granular breakdown provided justification for some elements of the disallowed workloads, we had concerns that the assumptions used by NGN to justify the payback periods for other elements of the workloads were not credible from an engineering perspective. Therefore, we have decided to maintain a partial disallowance of some asset management workloads, as explained in detail below.

3.19 NGN stated that with the Draft Determinations disallowance it could not meet its statutory obligations. The NGN CEG also expressed concerns about the CBA payback cut-off and the complete disallowance of repex categories stating that leakage, environmental impact and customer views need to be considered. We think our final decision to partially allow asset management workloads previously disallowed ensures that NGN is able to meet its safety obligations, while ensuring value for money for customers by not funding discretionary projects with long payback periods (our rationale for applying a payback cut-off of 2037 is explained in the GD Annex). In making our final decisions, we have explicitly factored in the cost of emissions through the CBA. We have allowed additional opex for all GDNs where there has been a reduction in repex workloads, please refer to GD annex Chapter 3 which describes our overall approach across GDNs as well as the opex proposals section in Chapter 3 of this annex for further information on the additional opex allowed for NGN.

Tier 1 mains and steel mains <=2”

3.20 We have decided to maintain our Draft Determination position to allow Tier 1 and steel mains <=2" workloads in full for NGN. NGN did not include dynamic growth within its Tier 1 submission, so no downward adjustments were made.

Tier 2A mains

3.21 We have decided to allow in full NGN’s submitted Tier 2A workloads as part of our baseline modelling. This is in line with our Draft Determinations position. See 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 in full NGN’s submitted Tier 2B workloads as part of our baseline modelling. This is in line with our Draft Determinations position.

3.23 We have decided to partially disallow NGN’s submitted Tier 3 workloads, as we do not think they have been fully justified on an economic basis. NGN disagreed with the disallowance of Tier 3 workloads at Draft Determination. It stated that 15% is the minimum workload that must be replaced as it cannot be repaired. NGN CEG said that it is concerned with the disallowed workloads and that Ofgem should consider leakage, a higher payback threshold and efficiencies from line packing. It also stated that alternatives to replacement still require significant urban disruption.

3.24 NGN provided revised CBAs for the same workloads as were originally included in its Business Plan, including differing assumptions on the impact on downstream customers and repair costs, as well as four example projects that all paid back within 16 years. We note that two of the submitted example projects do not pay back before 2037 and the CBAs required significant adjustments to assumptions about downstream customers impacts and repair costs before they met the 2037 payback criteria. We do not think that the assumptions presented around downstream customer impacts are credible, as they presented highly unlikely scenarios regarding the number of customers that may be off gas due to an incident, and therefore we don't consider the workloads to have been fully justified. We also noted that the rate of replacement being proposed by NGN for

Tier 3 mains appears significantly greater[23] than for other GDNs, but no clear explanation of why this is the case has been presented.

3.25 We have decided to make a downward adjustment to RIIO-GD2 workloads for Tier 3, in line with the historical average of submitted total commissioned volumes,[24] allowing for 45% of submitted workloads. We think this will protect customers from funding high unit cost work that also faces a higher asset stranding risk. We have opted to set workloads in line with historical run rates as we acknowledge NGN's arguments that some of this work is safety critical and that a proportion of it will have payback periods before 2037, however we do not think the acceleration in workloads beyond current replacement rates has been justified by NGN. We also note that the NARM mechanism allows for access to additional funding should it be justified within period (ie safety-driven reasons). See the NARM Annex for further details.

Steel mains >2"

3.26 We have decided to partially disallow NGN's submitted steel mains >2" workloads, as we do not think these workloads have been fully justified on an economic basis. NGN said that it has seen increased rate of failure for steel mains, which has surpassed rate of replacement, backed by analysis from AESL and Newcastle University and additional analysis carried out by NGN. It stated that 15% is the minimum workload that must be replaced as it cannot be repaired. The NGN CEG said that it believed NGN has made a good case for this investment and encouraged NGN to provide Ofgem with further analysis via refreshed CBAs for consideration prior to Final Determinations. It also raised concerns about increased leakage and a risk of incompatibility with future gases through wall corrosion if these pipes were not replaced.

3.27 NGN submitted revised CBAs broken into diameter tranches (<=8", 9-18" and >18") and which included differing assumptions on the impact on downstream customers and repair costs. We note that the increased assumptions on downstream customers affected do not apply to steel mains CBA <=8", as these mains tend to be in much closer proximity to the final customer.

3.28 We have decided to allow in full all workloads <=8" (86% of total steel >2"), as we consider these workloads to have been justified based on our engineering and

[23] In terms of workload as a % of remaining Tier 3 population.
[24] Historical average for period 2014-2020 (September 2020 resubmission of Business Plan Data Tables (BPDT) includes 2020 actual data).

cost assessment review. We are satisfied the CBA supporting these mains pays back within the 2037 cut-off and there is significant benefit to customers from funding this work.

3.29 We have decided to make partial disallowances for the workloads included in the 9-18" and >18" categories, as we do not think these workloads have been fully justified on an economic basis. We made a downward adjustment to RIIO-GD2 workloads in line with the historical average of submitted total commissioned volumes.[25] The CBAs for these workloads required significant adjustments to assumptions about downstream customer impacts and repair costs before they met the 2037 payback criteria. We do not think that the assumptions presented around downstream customer impacts are credible, as they presented highly unlikely scenarios regarding the number of customers that may be off gas due to an incident, and therefore we don't consider the workloads to have been fully justified on an economic basis. We think our decision protects customers from funding high unit cost work that also faces a higher asset stranding risk. We note that the failure modes for steel mains mean that GDNs can undertake enhanced monitoring of high risk pipes and that the NARM mechanism allows for access to additional funding should it be justified within period (ie safety-driven reasons). See the NARM Annex for further details. Overall, we have allowed 93% of the submitted workloads for steel mains >2".

Iron mains >30m from a building and Other Policy and Condition mains[26]

3.30 We have decided to partially disallow NGN's submitted iron >30m from building workloads, as we do not think they have been fully justified on an economic basis. NGN stated that 20% of these workloads are driven by pipes included for efficiency of other replacement projects. Out of the remaining 80% of pipes 15% is the minimum workload that must be replaced as it cannot be repaired. The NGN CEG has requested Ofgem to reconsider its Draft Determinations position on iron mains >30m from a building and it agreed that they should be assessed with a risk-based CBA. It argued that replacing these mains is important for futureproofing the network for other gases and combining this work with other projects increases efficiencies and reduces leakage at connection points.

[25] Historical average for period 2014-2020 (Draft Determinations resubmission of BPDT includes 2020 actual data).
[26] 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.

3.31 We have decided to make a partial disallowance for iron mains >30m from a building, as we do not think these workloads have been fully justified on an economic basis. We made a downward adjustment to RIIO-GD2 workloads in line with the historical average of submitted total commissioned volumes, allowing for 68% of submitted workloads. The CBAs for these workloads required significant adjustments to assumptions about downstream customer impacts and repair costs before they met the 2037 payback criteria. We do not think that the assumptions presented around downstream customer impacts are credible, as they presented highly unlikely scenarios regarding the number of customers that may be off gas due to an incident and therefore we don't consider the workloads to have been fully justified on an economic basis. We acknowledge the potential efficiency gains when combining this workload with other projects (ie Tier 1 mains replacement) and also note that a proportion of it will have payback periods before 2037. However, we do not think the acceleration in workloads beyond current replacement rates has been justified by NGN and so we think it is reasonable to fund workloads in line with historical run rates for RIIO-GD2.

3.32 We have decided to partially disallow workloads submitted under the Other Policy and Condition category, as we do not think the needs case for a subset of this work has been justified. NGN split this category into asbestos, Phoenix/ Paltem mains, repex overcrossings and other PE mains. It provided further evidence and sensitivities for all of these subcategories within Other Policy and Condition mains. Each is discussed in turn below.

3.33 We have decided to allow in full workloads for asbestos, as decommissioning of this material is mandatory within 12 months under HSE regulations.

3.34 We have decided to allow in full other PE mains. NGN argued that the traditional CBA approach is not appropriate to assess these workloads due to the low deterioration rate of PE, but faults on PE mains must be addressed when they are encountered. We agree with NGN's additional evidence in this area.

3.35 We have decided to allow in full workloads for repex overcrossings. NGN provided additional evidence that the condition of these mains has been assessed in terms of security of supply and it believes that they should be reinstated. We think the additional evidence provided justifies the workloads and demonstrates they are beneficial for customers.

3.36 We have decided to reject in full NGN's workloads for Phoenix/ Paltem mains at Final Determinations, as we do not think the needs case for this work has been justified. We proposed to disallow this workload at Draft Determinations, on the basis of the engineering review and long CBA payback. In its response to Draft Determinations, NGN provided additional CBAs including sensitivities around downstream customer impacts, interruption duration and different repair cost assumptions. It also provided additional detail on project plans. Following further engineering review of the proposed Phoenix / Paltem mains replacement programmes we have decided to disallow these programmes in full as per our Draft Determinations position. We do not think NGN has clearly demonstrated the engineering needs case for this project, including a lack of historical failure data to support proactive replacement and not providing sufficient consideration of alternative risk mitigation measures. We also note that these workloads do not payback before 2037 and we did not consider NGN's assumptions around downstream customer impacts to be credible, as they presented highly unlikely scenarios regarding the number of customers that may be off gas due to an incident.

Services associated with mains replacement

3.37 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, as proposed at Draft Determinations. NGN CEG did not agree with pro rata adjustment of services based on mains reduction, stating that it sees service failure as high risk to customer even if pipe is not replaced and some workloads should therefore be allowed even if pipe has been disallowed. We believe the common methodology applied across all GDNs in service reduction is the most appropriate and unbiased way to reduce services in line with the service densities submitted by the GDNs themselves. Some GDNs and our engineering team agree this to be a reasonable approach. We have therefore applied the same methodology used in our Draft Determinations position. These adjustments are based on submitted services: mains ratios for each network and submitted proportions between intervention types[27] and domestic/non-domestic.

Services not associated with mains replacement

3.38 We have decided to allow in full NGN's submitted workloads for services not associated with mains, in line with our Draft Determinations position. NGN has

[27] Services relays; services test and transfer.

reclassified NGN's sub-categories of services not associated with mains, based on supplementary information provided by the company,[28] and we have included these in our Final Determinations. The reclassification does not affect the total workloads in this category which remain the same. It rather provides an improved representation at lower granularity.

Capex

Description

3.39 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 30: Reinforcement workloads (RIIO-GD2 total, kilometres mains commissioned)

Network	Driver Value		Final Determinations Decision	Draft Determinations Position
	Submitted	*Modelled*		
General (km)				
NGN	17.0	17.0	Workload allowed in full	As FD
Specific (km)				
NGN	64.1	64.1	Workload allowed in full	As FD

* Includes mains only. We have assessed growth governors separately, similar to RIIO-GD1.

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

Network	Driver Value		Final Determinations Decision	Draft Determinations Position
	Submitted	*Modelled*		
Domestic: all types (km)				
NGN	130.8	130.8	Workload allowed in full	As FD
Non-domestic: all types (km)				
NGN	39.0	39.0	Workload allowed in full	As FD
FPNES (km)				
NGN	21.1	21.1	Workload allowed in full	As FD

[28] We have applied a workload reclassification to submitted values for services not associated with mains as provided by NGN following supplementary question responses NGN_SQ_CA_19 and NGN_SQ_CA_23SQ response (total workloads have not changed).

Table 32: Connections - services workloads (RIIO-GD2 total, no. of service connections)

Network	Driver Value		Final Determinations Decision	Draft Determinations Position
	Submitted	*Modelled*		
Domestic: all types (no.)				
NGN	26,043	26,043	Workload allowed in full	As FD
Non-domestic: all types (no.)				
NGN	2,608	2,608	Workload allowed in full	As FD
FPNES (no.)				
NGN	5,000	5,000	Workload allowed in full	As FD

Final Determinations rationale and Draft Determinations responses

3.40 As shown in Table 30, we have decided to implement our Draft Determinations position and accept NGN's reinforcement workload in full.

3.41 As shown in Table 31 and Table 32, we have decided to implement our Draft Determinations position and accept NGN'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

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

3.43 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 33: MOBs interventions proposed gross costs and workloads (RIIO-GD2 total, £m 2018/19 prices, no. of risers)

Network	Costs (gross)		Workloads	
	Submitted	Modelled	Submitted	Modelled
	£m	*£m*	*No.*	*No.*
MOBs repex				
NGN	2.8	2.2	227	227
MOBs maintenance				
NGN	0.0	0.0	N/A	N/A
MOBs connections				
NGN	0.1	0.1	95	95

Final Determination rationale and Draft Determination responses

3.44 We have decided to implement our Draft Determinations position of reducing NGN's MOBs repex costs by £0.6m for NGN. In its Draft Determinations response, NGN stated it accepts this adjustment.

Diversions

Final Determinations decision

Table 34: Diversions mains and associated services proposed costs and workloads (RIIO-GD2 total, £m, 2018/19 prices, kilometres commissioned and no. of services)

Network	Final Determinations decision				Draft Determinations position
	Costs		Workloads		
	Submitted	*Modelled*	*Submitted*	*Modelled*	
Diversions - mains					We proposed a downward adjustment of £12.4m to rechargeable diversions, £3.4m to non-rechargeable diversions and £0.3m to services associated with diversions. The adjustments were based on an assessment of GDN specific responses and further evidence as well as a review of resubmitted costs, volumes and unit costs against historical RIIO-GD1 run rates.
	£m	*£m*	*Km*	*km*	
NGN	28.8	25.8	65.1	55.5	
Diversions - services					
	£m	*£m*	*No.*	*No.*	
NGN	0.7	0.6	1,329	1,227	

Final Determinations rationale and Draft Determinations responses

3.45 We have decided to implement our Draft Determinations position of making downward adjustments to diversions baseline cost allowances, as we do not think the proposed increase has been justified. We have made downward adjustments to rechargeable diversions costs, totalling £1.6m, £1.5m to non-rechargeable diversions and £0.1m for services associated with diversions. NGN said that in its December 2019 business plan that forecasts were restricted to three main diameter groups and therefore our assessment at a more granular level did not review actual projections adequately. NGN resubmitted the same workloads and costs at a more granular level including actual data for 2020. Following review of the resubmitted data, we have decided to adjust RIIO-GD2 workloads and costs to the historical average. We do not think the increase in forecasted workload is fully justified. We note that diversions workloads are covered by the diversions re-opener, which will allow NGN to claim for additional funding should RIIO-GD2 costs materially exceed the baseline allowance.

Growth governors

Final Determinations decision

Table 35: Growth governors costs and workloads (RIIO-GD2 total, £m, 2018/19 prices, No. of governors)

Network	Final Determinations decision				Draft Determinations position
	Costs		Workloads		
	Submitted	*Modelled*	*Submitted*	*Modelled*	
	£m	*£m*	*No.*	*No.*	
NGN	4.8	6.5	77	77	Unit cost benchmark based on RIIO-GD1 historic actuals used to assess growth governor costs, which resulted in a +£0.5m modelled adjustment for NGN.

Final Determinations rationale and Draft Determinations responses

3.46 We have decided not made any adjustments to data for outliers in our Final Determinations assessment of growth governors, whereas at Draft Determinations, we excluded NGN's submitted cost and workload data for 2019/20 and 2020/21 from the model because the workload figures were less than one, which could distort the unit cost calculations. We have used a larger time-period in the Final Determinations model, which calculates the industry total unit cost over the whole of RIIO-GD1 and RIIO-GD2 time-period. The previously excluded data

does not distort the benchmark, so we have included all submitted data in our assessment at Final Determinations.

Streetworks

Final Determinations decision

Table 36: Streetworks costs (RIIO-GD2 total, £m, 2018/19 prices)

Network	Final Determinations decision		Draft Determinations position
	Costs		
	Submitted	*Modelled*	
	£m	*£m*	
NGN	10.8	9.2	Costs adjusted in line with NGN's average costs in years 2016/17 to 2019/20, and costs for fines and penalties were disallowed. This resulted in a modelled downward adjustment of £1.6m for NGN.

Final Determinations rationale and Draft Determinations responses

3.47 We have based our Final Determinations streetworks assessment on average run rates over an extended time-period of 2016/17 to 2025/26.

3.48 We have decided to implement our Draft Determinations position to disallow costs for fines and penalties. NGN disagreed with our proposal to disallow these costs and argued that not all penalties are within GDN control. We have outlined our rationale for disallowing costs for penalties in the GD Annex.

Smart metering

3.49 NGN did not forecast any expenditure associated with smart metering and therefore no costs have been allowed for this category.

Land remediation

Final Determinations decision

Table 37: Land remediation costs and workloads (RIIO-GD2 total, £m, 2018/19 prices)

Network	Final Determinations decision				Draft Determinations position
	Costs*		Workloads		
	Submitted	*Modelled*	*Submitted*	*Modelled*	
	£m	*£m*	*No.*	*No.*	
NGN	3.5	3.5	300	300	As per Final Determination
*Includes embedded OE adjustment.					

Final Determinations rationale and Draft Determinations responses

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

Technically assessed costs

3.51 This section contains an overview of the technical analysis undertaken for NGN, including our adjustments to submitted costs. For each category, we present 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

3.52 Table 38 summarises our decision on NGN's bespoke outputs. Further detail and full list of our decisions for all bespoke outputs is provided in Chapter 2. Of the submitted bespoke outputs, we have accepted £19.9m of expenditure.

Final Determinations decision

Table 38: Assessment of NGN's submitted bespoke outputs (£m, 2018/19 prices)

Network	Submitted	Allowed (excludes OE)	Adjustments	Adjustment (%)
NGN	20.5	19.9	-0.5	-3%

Repex proposals

Final Determinations decision

Table 39: Technical assessment of repex projects

Network	Investment name	Costs			FD position	DD position
		Submitted	*Allowed**	*Confidence*		
		£m	*£m*			
NGN	Tier 1 stubs	38.70	11.68	Low	Partially allowed, included in baseline. Re-opener implemented.	Rejected in full, re-opener proposed.
* Allowed costs do not include ongoing efficiency						

Final Determinations rationale and Draft Determinations responses

3.53 We have decided to partially allow baseline funding for Tier 1 stubs at Final Determinations. At Draft Determinations, we proposed to remove baseline funding for stubs in full, with all funding covered by a re-opener due to uncertainty on overall workloads. In its response NGN disagreed with our decision, arguing stubs are part of mandatory works and should remain so until there is a clear amendment to the policy by the HSE. NGN has also raised planning and resourcing issues if these workloads are disallowed. As Tier 1 stubs remain mandatory, we think it is reasonable to provide costs equivalent to the first two years of the proposed stubs decommissioning programme, ensuring funding is available until the first re-opener window (see GD annex Chapter 4 for further details on Tier 1 stubs reopener). We have therefore allowed £11.7m for NGN. We had concerns that NGN's submitted unit costs (£11.6k/stub) for stubs appeared high and therefore we have decided to reduce unit costs to £8.2k/stub in its baseline allowance.

Capex proposals

Description

3.54 We technically assessed two of NGN’s large and discrete capex projects through a combination of needs case and deep dive assessments.

LTS, storage & entry

Final Determinations decision

Table 40: Technical assessment of LTS, storage and entry projects

Network	Investment name	Final Determinations decision			Draft Determinations proposal	
		Submitted	*Allowed*	*Confidence*	*Proposed*	*Confidence*
		£m	*£m*		*£m*	
NGN	TransPennine*	19.47	19.47	High	19.47	Lower
*TransPennine was submitted as a bespoke output and is therefore also represented in Appendix 1						

Final Determinations rationale and Draft Determinations responses

3.55 We have decided to allow the submitted costs for TransPennine and include the project in the Capital Projects PCD, as at Draft Determinations. Our decision to fund this investment through the Capital Projects PCD rather than the proposed bespoke uncertainty mechanism is outlined in Table 59. At Draft Determinations we classified this project as lower confidence due to scope uncertainty. We have decided to revise this classification to high confidence because NGN have provided sufficient detail for bottom-up cost inputs, and the Capital Projects PCD will enable us to recover funding should the scope of work change.

Other capex

Final Determinations decision

Table 41: Technical assessment of other capex projects

Network	Investment name	Final Determinations decision			Draft Determinations proposal	
		Submitted	*Allowed**	*Confidence*	*Proposed*	*Confidence*
		£m	*£m*		*£m*	
NGN	Overcrossings	10.05	8.34	High	8.25	High
* 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 responses

3.56 We have applied £1.80m of cost reductions to the Overcrossings investment for general contingency for perceived flood risk which we consider to be unjustified, as we did at Draft Determinations. We have maintained our Draft Determinations position because we did not receive any additional evidence from NGN in response to this proposed cost adjustment.

3.57 As discussed in Chapter 4 of our GD Annex, we have excluded all indirect project costs from our bottom-up deep dive assessments at Final Determinations, thereby including £1.81m of indirect project costs for NGN Overcrossings in the totex regression.

PSUP (Physical Security Upgrade Programme)

Final Determinations decision

3.58 NGN 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

3.59 NGN'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 42: RIIO-GD2 non-controllable opex (RIIO-GD2 total, £m, 2018/19 prices)

NGN	Total RIIO-GD2 (£m, 2018/19)
Shrinkage	24.0
Ofgem Licence	9.2
Network Rates	220.2
Established Pension Deficit Recovery Plan Payment	49.0
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	185.1
Xoserve	13.2
Misc	0.0
Supplier of Last Resort Claims	0.0
Total non-controllable costs	**500.7**

*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 NGN-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 NGN-specific parameters in the following tables.

Repex - Tier 2A iron mains volume driver

Table 43: Final Determinations decision - Tier 2A iron mains Baseline Target Workloads (kilometres mains decommissioned)

NGN	2021/22	2022/23	2023/24	2024/25	2025/26	RIIO-GD2 Baseline Target Workloads
Workload Activities						
Tier 2A mains decommissioned						
9" in diameter	0.1	0.1	0.1	0.1	0.1	**0.6**
10"-12" in diameter	1.6	1.6	1.6	1.6	1.6	**8.1**
>12"-17" in diameter	0.3	0.3	0.3	0.3	0.3	**1.5**
Totals	**2.0**	**2.0**	**2.0**	**2.0**	**2.0**	**10.1**
Note: Subtotals may not add up to sum of line items due to rounding						

Table 44: Final Determinations decision - Tier 2A iron mains and services Baseline Cost Allowance (£m, 2018/19 prices)

NGN	2021/22	2022/23	2023/24	2024/25	2025/26	RIIO-GD2 Baseline Cost Allowance
Baseline Cost Allowance						
Tier 2A mains and services Baseline Cost Allowance						
NGN	0.7	0.7	0.7	0.7	0.7	**3.5**
Note: Subtotals may not add up to sum of line items due to rounding						

Table 45: Final Determinations decision - Tier 2A iron mains and services ex ante unit costs for NGN (RIIO-GD2, £/km mains decommissioned, 2018/19 prices)

NGN	RIIO-GD2 ex ante unit costs
Ex ante unit costs	*£/km*
Tier 2A iron mains decommissioned	
e. 9"	153,695
f. 10" - 12"	319,388
g. >12" - 17"	546,475
Note: Unit costs for Tier 2A volume driver. Unit costs inclusive of associated service workloads. Unit costs exclude RPEs.	

Domestic connections volume driver

Table 46: Final Determinations decision – domestic connections mains baseline target workloads (kilometre mains commissioned)

Network	2021/22	2022/23	2023/24	2024/25	2025/26	RIIO-GD2 baseline target workloads
	km	*km*	*km*	*Km*	*km*	*km*
Domestic connections mains[1]						
NGN	27.0	30.3	33.5	36.8	3.2	**130.8**
[1] Combines mains diameters above and below 180mm for both new and domestic housing.						

Table 47: Final Determinations decision – domestic connections services baseline target workloads (No. of services connections commissioned)

Network	2021/22	2022/23	2023/24	2024/25	2025/26	RIIO-GD2 baseline target workloads
	No	*No*	*No*	*No*	*No*	*No*
Domestic connections services[1]						
NGN	5,462	5,802	6,137	6,468	2,174	**26,043**
[1] Combines services for both new and domestic housing.						

Table 48: 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]	
NGN	57,970
[1] Combines mains diameters above and below 180mm for both new and domestic housing. Figures include ongoing efficiency and exclude RPEs.	

Table 49: 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]	
NGN	483

[1] Combines services for both new and domestic housing. Figures include ongoing efficiency and exclude RPEs

5. Innovation

Introduction

5.1 This chapter sets out our Final Determination on NGN'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 Determinations

Table 50: Network Innovation Allowance summary

Network Innovation Allowance	NGN proposed NIA (£m)	Ofgem Draft Determinations position (£m)	Ofgem Final Determinations decision (£m)
Level of NIA funding	£11.5m	£11.5m, conditional on an improved industry-led reporting framework.	£11.5m. 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 NGN £11.5m NIA funding. This implements our Draft Determination proposal and was supported by NGN, NGN's CEG and a consumer representative body, who directly addressed NGN's NIA.

5.4 NGN noted in its response that it had identified further hydrogen innovation projects and requested an additional £4.4m of NIA funding on top of its Business Plan request. We have decided not to provide additional NIA because there is uncertainty about both the need and cost of the hydrogen innovation expenditure proposed since Draft Determinations, and activities may be duplicative.

5.5 We recognise that a need for additional hydrogen innovation projects could arise during RIIO-2. We will therefore consider allowing NGGT and GDNs additional NIA funding for hydrogen innovation, should the NIA funding prove insufficient (see Chapter 8 of Core Document).

6. Business Plan Incentive (BPI)

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

Table 51 Summary of decisions for NGN's BPI

BPI stage	Final Determination
Stage 1 - Minimum requirements	No penalty
Stage 2 – CVP reward	£0m
Stage 3	-£3m
Stage 4	£5.1m
Total	**Reward of £2.1m**

6.2 Our cost confidence assessment results in a Totex Incentive Mechanism (TIM) sharing factor for NGN of 49%. For further details on the TIM, see Chapter 10 in the Core Document.

Stage 1 – Minimum requirements

6.3 We have decided that NGN has passed Stage 1 of the BPI.

6.4 We have decided, as we set out at Draft Determinations, that NGN did not meet the minimum requirement to provide sufficient detail for Smart Meter Rollout to enable us to benchmark unit costs. However, we have decided to implement our Draft Determinations position that these costs are not material enough to warrant failure against Stage 1 of the BPI.

6.5 Only NGN responded on this point, disagreeing that they had not met the minimum requirement. It was a minimum requirement for GDNs to provide enough detail to enable unit cost benchmarking, which NGN did not do. However, based on the expected relatively low materiality of this activity in RIIO-GD2, and since we have decided to retain a common smart meter rollout re-opener, we have decided that NGN has not failed Stage 1.

6.6 Further detail on our assessment of Stage 1 for NGN can be found in our Draft Determinations Core Document.

Stage 2 – Consumer Value Propositions

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

6.8 At Draft Determinations we proposed to accept one of the CVPs proposed by NGN for Enhanced Repair for Gas Escapes. We have now decided to reject this CVP for the reasons set out in the section below.

6.9 For details of our decisions on other CVPs that we have not accepted see Appendix 1.

CVPs removed in our Final Determinations

Enhanced Repair for Gas Escapes

Draft Determinations summary

6.10 In our Draft Determinations we proposed to allow this CVP for improved repair times for outstanding gas escapes, to reward higher service quality levels than RIIO-GD1 that NGN proposed to deliver without additional baseline funding. We considered that there was sufficient evidence of stakeholder and CEG support for this CVP proposal and the associated ODI-Rs. We also found sufficient evidence of additional consumer value through quantified benefits for reduced carbon emissions and avoided costs to consumers for the forecast gas lost.

Final Determination rationale and Draft Determination responses

6.11 We have decided to reject this CVP proposal in our Final Determinations. Based on new evidence we are no longer confident that rewarding NGN is appropriate because we do not think the target is sufficiently stretching. Refer to Chapter 2 for our rationale.

Stage 3

6.12 We have decided that NGN will incur a £3m penalty following our BPI Stage 3 assessment.

6.13 Table 50 sets out our decisions on low cost confidence cost categories and the associated Stage 3 penalties.

Table 52: Final Determination on Stage 3

Cost category	Lower confidence cost disallowance (£m)	BPI penalty
Repex Tier 1 stubs	27.8	-£3m

Final Determination rationale and Draft Determination responses

Table 53: Final Determination rationale for Stage 3

Cost category	Final Determinations rationale and Draft Determination responses
Repex Tier 1 stubs	We have decided to classify this project as lower confidence due to a lack of cost detail provided by NGN. At Draft Determinations, we rejected these costs in full and proposed a re-opener. NGN disagreed and stated that these costs should be provided in baseline funding. For Final Determinations, we have decided to partially allow these costs (see Chapter 3), but do not think that NGN provided sufficient detail on costs for us to consider them as high confidence.

Stage 4

6.14 We have decided that NGN will earn a £5.4m reward following our BPI stage 4 assessment.

6.15 Table 52 sets out our decisions on high cost confidence categories, allowances and the associated Stage 4 rewards.

Table 54: Final Determination on Stage 4

Cost category	Company's view (£m)	Ofgem view (£m)	BPI reward
Modelled costs	1,154	1,177	£5.1m
Gasholder demolition	16.3	16.1	
Overcrossings	8.4	6.6	
Electric vehicles	2.3	2.3	

Final Determination rationale and Draft Determination responses

Table 55: Final Determination rationale for Stage 4

Cost category	Final Determination rationale and Draft Determination responses
Modelled costs	We have applied our Sector Specific Methodology Decision (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.
Overcrossings	We have decided to classify this project as high confidence. This is consistent with our Draft Determinations position, which we did not receive any consultation responses on.
Electric vehicles	These costs were not part of the Business Plan submissions. Information received from all GDNs following Draft Determinations 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 NGN's proposed bespoke outputs, CVPs and UMs

Summary of decisions - bespoke outputs

A1.1 This section sets out our decisions on the bespoke ODIs and LOs that NGN 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 56: NGN's bespoke ODI proposals

Output name and description	Draft Determinations summary	Consultation response summary	Ofgem's Final Determination
ODIs we have decided to accept			
Job completion lead-time including re-instatement: Offer a date to complete works once payment has been made within 20 working days.	**Accept:** We proposed to accept this bespoke output subject to NGN proposing a stretching target.	NGN proposed a maximum performance target of 45% by 2025/26. It currently performs to this standard in 31% of cases.	**Accept:** We have decided to implement our Draft Determinations position to accept this bespoke output, given that NGN has proposed a stretching target for RIIO-GD2. For further detail see Chapter 2.

Output name and description	Draft Determinations summary	Consultation response summary	Ofgem's Final Determination
ODIs we have decided to reject			
Outstanding repairs completed in 7 days: Outstanding repairs completed in seven days - >89% Service Level Agreement (SLA) by end of RIIO-GD2.	**Accept:** We proposed to merge this output with Outstanding Repairs completed in 28 days[29].	No specific feedback on the ODI, but concern from a number of respondents whether the level of stretch warranted a CVP.	**Reject:** We assessed other GDNs' performance and found that some of them are already performing better than NGN's proposed targets for the end of RIIO-GD2. Based on this, we think NGN should be able to achieve the targets without an ODI-R (see Chapter 2 for further discussion). We have also decided this does not warrant a CVP (see Table 57).
Outstanding Repairs completed in 28 days: Outstanding repairs completed in 28 days - > 98% SLA by the end of RIIO-GD2.	**Accept:** We proposed to merge this output with Outstanding Repairs completed in 7 days.	Refer to 'Outstanding repairs completed in 7 days' above for our rationale.	**Reject:** Refer to 'Outstanding repairs completed in 7 days' above for our rationale.
Hardship Fund: Serving customers who are in desperate need of direct financial help and have been unable to identify help through existing funding routes.	**Accept:** We proposed to accept this bespoke output.	For a summary of consultation responses, refer to Chapter 2.	**Reject:** We have decided to reject this as a bespoke ODI but will require GDNs to report on it in the RRPs and encourage NGN to report how it is spent to its stakeholders as an internal KPI. Our rationale for this decision is set out in Chapter 2.
Community Partnering Fund: Joined forces with Northern Power Grid to make £100,000 available on an annual basis and administer this fund in two waves throughout the year.	**Accept:** We proposed to accept this bespoke output.	For a summary of consultation responses, refer to Chapter 2.	**Reject:** We have decided to reject this as a bespoke ODI but will require GDNs to report on it in the RRPs and encourage NGN to report how it is spent to its stakeholders as an internal KPI. Our rationale for this decision is set out in Chapter 2.

[29]Draft Determinations NGN Annex Section 2.16.

Output name and description	Draft Determinations summary	Consultation response summary	Ofgem's Final Determination
Customer Satisfaction Survey (non-regulated): Customised surveys and research for the customer groups not covered by the regulated customer satisfaction surveys.	**Reject:** We recognised there is value in stakeholder engagement and looking to extend surveys to groups not covered by our customer satisfaction surveys. We proposed to allow the small associated costs in the baseline allowance. NGN did not set out any specific measurable outputs, therefore NGN should develop this internally and seek to monitor as a separate KPI. It should also share the learning from trialling this survey with other network companies.	Few respondents gave specific feedback on our proposal. Citizens Advice was supportive of the allowed funding and asked us to consider how to hold NGN accountable for delivering the trial and how to transfer learning across all GDNs.	**Reject:** We have decided to implement our Draft Determinations position. We expect NGN to deliver the activities since we have assigned baseline funding. We will monitor development through the RRPs to ensure deliver and the transfer of learning.
Enhanced Complaints Metric: Assess its performance against an enhanced complaints metric, that measures performance in calendar (instead of working) days and includes the percentage of complaints resolved within 60 minutes as a target.	**Reject:** We found insufficient justification of the consumer value for an additional ODI, given the significant overlap with the existing common Complaints Metric. We noted NGN is already delivering good performance levels against the proposed targets, so the measure is not sufficiently stretching to warrant an ODI. NGN may want to retain the proposed monitoring as a separate KPI for its stakeholders.	There was no specific feedback on our proposal. A CEG made a sector-wide comment that rejecting bespoke outputs is reasonable to avoid overlaps with existing incentives.	**Reject:** We have decided to implement our Draft Determinations position as we have no additional substantive evidence to justify a change.

Output name and description	Draft Determinations summary	Consultation response summary	Ofgem's Final Determination
Key account service standards for shippers: • acknowledgement of query (other than those which are part of a standard Xoserve interface) – one working Day • agreement of a resolution date – one Working Day • completion to agreed resolution date –on Agreed Date • industry code services through Xoserve interfaces – as per industry Standard.	**Reject:** We found insufficient evidence of this submission stretching beyond BAU. Monitoring responses to enquiries is a BAU activity. NGN may want to retain the proposed monitoring as a separate KPI for its stakeholders.	There was no specific feedback on our proposal. A CEG made a sector-wide comment that rejecting bespoke outputs is reasonable where the intention is to avoid extending regulatory reporting in areas that do not necessarily push standards forward. NGN's CEG made a general comment that NGN could achieve higher standards for customers if it had more bespoke ODIs.	**Reject:** We have decided to implement our Draft Determinations position as no substantive further evidence of stretch was submitted. While we accept that bespoke ODIs may increase GDNs' focus, we think they should only be used where there is clear evidence of stretch and additional benefit to warrant additional regulatory reporting, in line with our Business Plan Guidance (BPG).
Key account service standards for Suppliers: • agreement of a resolution date (following internal assessment) – one day • completion to agreed resolution date – two days • completion to agreed resolution date – on agreed date.	**Reject:** We found insufficient evidence of this submission stretching beyond BAU. Monitoring responses to enquiries is a BAU activity. NGN may want to retain the proposed monitoring as a separate KPI for its stakeholders.	There was no specific feedback on this proposed output. A CEG made a sector-wide comment that rejecting bespoke outputs is reasonable where the intention is to avoid extending regulatory reporting in areas that do not necessarily push standards forward. NGN's CEG made a general comment that NGN could achieve higher standards for customers if it had more bespoke ODIs.	**Reject:** We have decided to implement our Draft Determinations position as no substantive further evidence of stretch was submitted. While we accept that bespoke ODIs may increase GDNs' focus, we think they should only be used where there is clear evidence of stretch and additional benefit to warrant additional regulatory reporting, in line with our BPG.

Output name and description	Draft Determinations summary	Consultation response summary	Ofgem's Final Determination
Key account service standards for Gas Transporters: • agreement of a resolution date (following internal assessment) – one day • completion to agreed resolution date – two days • completion to agreed resolution date – on agreed date.	**Reject:** We found insufficient evidence of stretch beyond BAU. Monitoring responses to enquiries is a BAU activity. NGN may want to retain the proposed monitoring as a separate KPI for its stakeholders.	There was no specific feedback on this proposed output. A CEG made a sector-wide comment that rejecting bespoke outputs is reasonable where the intention is to avoid extending regulatory reporting in areas that do not necessarily push standards forward. NGN's CEG made a general comment that NGN could achieve higher standards for customers if it had more bespoke ODIs.	**Reject:** We have decided to implement our Draft Determinations position as no substantive further evidence of stretch or challenge to our position was submitted. While we accept that bespoke ODIs may increase GDNs' focus, we think they should only be used where there is clear evidence of stretch and additional benefit to warrant additional regulatory reporting, in line with our BPG.
Disconnection and diversion quotations: Quotation to customer within three working days: £40 compensation per working day late, capped at lowest of £297 or quotation sum.	**Reject:** We commended NGN for widening the scope of service quality and proposed to extend current quotation GSOPs to these groups. There was insufficient evidence of the needs case to tighten the existing standard further than set out in our SSMD[30] to warrant a bespoke measure and we already proposed to double all current payment levels. We encouraged NGN to retain this standard as a voluntary GSOP on the basis any funds required to do so are sourced from company shareholders.	Few respondents gave specific feedback on our proposal. NGN noted that its proposals, including on diversions, were applied more widely across the industry as licence obligations which will allow them to deliver the expectations of customers. One consumer representative group agreed that GDNs wishing to go further than common revisions to GSOPs should do so voluntarily using company shareholder funds and not as bespoke measures to facilitate clarity for consumers.	**Reject:** We have decided to implement our Draft Determinations position. We have decided to extend quotation GSOPs to the groups NGN proposed as a common revision for all GDNs. NGN also proposed doubling payment levels, which we have also decided to implement for all GDNs. We are proceeding with common revisions to GSOPs (see GD Annex Chapter 2) as we believe this facilitates clarity for consumers expecting payments from GDNs.

[30] Paragraph 2.209 (4 working days).

Output name and description	Draft Determinations summary	Consultation response summary	Ofgem's Final Determination
Initial capacity studies for entry: Provided to customer in less than five working days.	**Reject:** This target is linked to another bespoke ODI, NGN Biomethane Process Improvements, which we proposed not to include.	There was no specific feedback on our proposal.	**Reject:** We have decided to implement our Draft Determinations position as we have no additional substantive evidence to justify a change.
Initial capacity studies for large load connections: Provided to customer in less than 30 working days.	**Reject:** This is a clearly defined and measurable output although NGN did not present evidence of how stretching it is. If this target only applies to a few of the largest loads where the connection process lasts for an extended period, the benefit would be too small to warrant an ODI. NGN may want to retain this as a separate KPI for its stakeholders.	There was no specific feedback on our proposal.	**Reject:** We have decided to implement our Draft Determinations position as we have no additional substantive evidence to justify a change.
% of repairs completed within 12 hours: > 64% of repairs completed within 12 hours of a gas escape.	**Reject:** We found insufficient evidence of a stretching target beyond BAU. Our SSMD[31] stated that we would remove this output because this level of service is now BAU. NGN may want to retain the proposed monitoring as a separate KPI for its stakeholders.	There was no specific feedback on our proposal. The RIIO-2 CG made a sector-wide comment that rejecting bespoke outputs is reasonable where the intention is to avoid extending regulatory reporting in areas that do not necessarily push standards forward.	**Reject:** We have decided to implement our Draft Determinations position as we have no additional substantive evidence to justify a change.

[31] Paragraph 4.86. The 12-hour standard is a secondary deliverable in relation to the repairs safety output in RIIO-GD1.

Output name and description	Draft Determinations summary	Consultation response summary	Ofgem's Final Determination
Supply restoration to appliance following ECV connection for a planned interruption: Restore gas to ECV and appliance within 12 hours and offer 2-hour appointment slots when customer not in or pay £20 compensation.	**Reject:** Due to sufficient commonality with other network companies' 'purge and relight' bespoke outputs and value to consumers; we proposed to establish a common ODI-R for appointments.[32]	For a summary of consultation responses, refer to Chapter 2 of the GD Annex.[33]	**Reject:** We have decided not to implement an ODI-R. We will implement internal reporting to monitor this activity instead. Our rationale and decision is set out in Chapter 2 of the GD Annex.
Supply restoration to ECV and appliance following unplanned interruption: Restore gas to appliances within 2 hours of ECV reconnection and offer 2-hour appointment slots when customer not in or pay £20.	**Reject:** Due to sufficient commonality with other network companies' 'purge and relight' bespoke outputs and value to consumers; we proposed to establish a common ODI-R for appointments.[34]	For a summary of consultation responses, refer to Chapter 2 of the GD Annex.[35]	**Reject:** We have decided not to implement an ODI-R. We will implement internal reporting to monitor this activity instead. Our rationale and decision is set out in Chapter 2 of the GD Annex.
Major Incident Standards: Eight individual targets or major incident standards to meet if more than 250 customers are affected.	**Reject:** We found a lack of evidence that the targets represent an improvement on existing service levels already provided by NGN. NGN may want to retain this as a separate KPI for its stakeholders.	There was no specific feedback to amend our proposal.	**Reject:** We have decided to implement our Draft Determinations position as no substantive further evidence of stetch was submitted. We have included costs to continue this activity from RIIO-GD1 in our regression analysis.

[32] We provided further detail in our Draft Determinations GD Annex paragraphs 2.66-2.74.
[33] Restoration of customers appliances - Purge and Relight (P&R) activity.
[34] We provided further detail in our Draft Determinations GD Annex paragraphs 2.66-2.74.
[35] Restoration of customers appliances - Purge and Relight (P&R) activity.

Output name and description	Draft Determinations summary	Consultation response summary	Ofgem's Final Determination
Annual Showcase Event and Annual Report: Report on performance, share best practice and engage with stakeholders on strategic direction.	**Reject:** NGN listed this output as a bespoke output. However, we found insufficient evidence of enhanced performance above the common consumer vulnerability reputational ODI we decided to implement as part of RIIO-GD2, which requires reporting and an annual showcase event.	There was no specific feedback on our proposal. The RIIO-2 CG made a sector-wide comment that rejecting bespoke outputs is reasonable where the intention is to avoid extending regulatory reporting in areas that do not necessarily push standards forward.	**Reject:** We have decided to implement our Draft Determinations position as we have no additional substantive evidence to justify a change.
Carbon monoxide (CO) awareness sessions and provision of free CO alarms to all new connections customers: Deliver 10,000 completed surveys per year.	**Reject:** The Vulnerability and Carbon Monoxide Allowance (VCMA) provides funding for this type of activity and the consumer vulnerability reputational ODI provides NGN with the opportunity to highlight its performance. We found insufficient evidence to justify the need for a bespoke ODI, PCD or LO.	Few respondents provided specific evidence on this output. NGN considers that the VCMA will allow it to deliver the expectations that customers outlined in its plans.	**Reject:** We have decided to implement our Draft Determinations position to reject this ODI-R as the VCMA provides funding for this type of activity. In response to stakeholder feedback, we have decided to increase the value of the VCMA to allow the GDNs to be more ambitious, as set out in Chapter 2 of the GD Annex.
Energy Efficiency Advice: Commit to delivering directly 1,000 successful energy efficiency advice referrals per year of vulnerable customers to partners who can provide further support on improving energy efficiency in homes.	**Reject:** The VCMA provides funding for this type of activity and the consumer vulnerability reputational ODI provides NGN with the opportunity to highlight its performance. We found insufficient evidence to justify the need for a bespoke ODI or PCD.	Few respondents provided specific evidence on this output. NGN considers that the VCMA will allow it to deliver the expectations that customers outlined in its plans.	**Reject:** We have decided to implement our Draft Determinations position to reject this ODI-R as the VCMA provides funding for this type of activity. In response to stakeholder feedback, we have decided to increase the value of the VCMA to allow the GDNs to be more ambitious, as set out in Chapter 2 of the GD Annex.

Output name and description	Draft Determinations summary	Consultation response summary	Ofgem's Final Determination
Social and Customer Competency Framework: Build a Customer and Social Competency Framework. This will mirror the Safety and Technical Competency Framework that supports NGN's existing operational training.	**Reject:** The VCMA provides funding for this type of activity and the consumer vulnerability reputational ODI provides NGN with the opportunity to highlight its performance.	Few respondents provided specific evidence on this output. NGN considers that the VCMA will allow it to deliver the expectations that customers outlined in its plans.	**Reject:** We have decided to implement our Draft Determinations position to reject this ODI-R as the VCMA provides funding for this type of activity. In response to stakeholder feedback, we have decided to increase the value of the VCMA to allow the GDNs to be more ambitious, as set out in Chapter 2 of the GD Annex.
Dedicated 24/7 PSR/Extra Support Hotline: A dedicated hotline for any customer registered on the Priority Services Register (PSR) or who might identify themselves as needing additional support.	**Reject:** The VCMA provides funding for this type of activity and the consumer vulnerability reputational ODI provides NGN with the opportunity to highlight its performance. We found insufficient evidence to justify the need for a bespoke ODI or LO.	Few respondents provided specific evidence on this output. NGN considers that the VCMA will allow it to deliver the expectations that customers outlined in its plans. A consumer representative group supported our rationale, while stating that we should be clear over activities GDNs should fund with the allowance and ensure it is appropriately sized. It noted that the RIIO-ED2 SSMC proposes dedicated phone lines for PSR customers as a minimum standard.	**Reject:** We have decided to implement our Draft Determinations position to reject this ODI-R as the VCMA provides funding for this type of activity. In response to stakeholder feedback, we have decided to increase the value of the VCMA to allow the GDNs to be more ambitious, as set out in Chapter 2 of the GD Annex. We will set out the full eligibility criteria for activities the GDNs can fund through the VCMA in the VCMA Governance Document.

Output name and description	Draft Determinations summary	Consultation response summary	Ofgem's Final Determination
100 Community Partners trained each year to deliver support with Carbon Monoxide safety; Priority Services Registrations/Awareness; Energy Efficiency Advice/Referrals: NGN will deliver training to a minimum of 100 community partners per year, in line with the standards and criteria set within their Customer and Social Competency Framework.	**Reject:** The VCMA allowance provides funding for this type of activity and the consumer vulnerability reputational ODI provides NGN with the opportunity to highlight its performance.	Few respondents provided specific evidence for on output. NGN considers that the VCMA will allow it to deliver the expectations that customers outlined in its plans.	**Reject:** We have decided to implement our Draft Determinations position to reject this ODI-R as the VCMA provides funding for this type of activity. In response to stakeholder feedback, we have decided to increase the value of the VCMA to allow the GDNs to be more ambitious, as set out in Chapter 2 of the GD Annex.
Priority Services Register (PSR) promotion/ registrations: 5,000 registrations per year - Actively promote the PSR and through its day to day activities seek out members of the communities it serves who are eligible for registration.	**Reject:** The Vulnerability and Carbon Monoxide Allowance (VCMA) provides funding for this type of activity and the consumer vulnerability reputational ODI provides NGN with the opportunity to highlight its performance.	Few respondents provided specific evidence on this output. NGN considers that the VCMA allowance will allow it to deliver the expectations that customers outlined in its plans.	**Reject:** We have decided to implement our Draft Determinations position to reject this ODI-R as the VCMA provides funding for this type of activity. In response to stakeholder feedback, we have decided to increase the value of the VCMA to allow the GDNs to be more ambitious, as set out in Chapter 2 of the GD Annex.

Output name and description	Draft Determinations summary	Consultation response summary	Ofgem's Final Determination
Biomethane Process Improvements: • initial capacity studies for gas producer connections in five working days (15 working days in RIIO-GD1) • detailed capacity studies in 20 working days (30 working days in RIIO-GD1) • respond (via telephone) to operational faults on gas producer sites within four hours • stakeholder engagement.	**Reject:** We think the need for this ODI has been superseded by our proposed extension of the existing connection quotation service standards (GSOPs) to include green gas enquiries, which will be common across all gas distribution networks (GDNs).[36] In addition, as we set out in our SSMD,[37] GDNs will report on biomethane connections data (including studies) in the Annual Environment Report (AER) and we proposed that they report on stakeholder engagement under the AER.[38] NGN may want to retain inclusion of these or other similar metrics in its AER as a separate KPI for its stakeholders.	NGN highlighted that extending GSOP quotations to entry connections for green gas aligned with its bespoke proposals for biomethane process improvements, but noted its proposal was an ODI-R to reduce job lead time and improve service to customers. NGN thought GSOPs should not be extended to these improvements and should form a part of the AER. We received wider feedback from other networks expressing similar concerns that a GSOP in this area would compromise flexibility and quality of service. There was support from some networks for reporting on biomethane process improvements in the AER.	**Reject:** We have decided not to implement a common connection GSOP for green gas entry quotations, in light of the feedback we received that a common GSOP could reduce the quality of engagement and service. GDNs will report on biomethane connections data and improvements to the green gas entry process in the AER (See 'Guaranteed Standards of Performance (GSOPs)' in Chapter 2 of the GD Annex).

[36] We provided further detail in our Draft Determinations GD Annex paragraphs 2.60.
[37] Paragraph 3.75.
[38] Draft Determinations GD Annex paragraphs 2.44-2.76.

Output name and description	Draft Determinations summary	Consultation response summary	Ofgem's Final Determination
Environmental Action Plan (EAP) - Initiatives to use resources responsibly: Initiatives under the Environmental Action Plan including: • embed NGN Sustainable Procurement policy via Supplier Code • 0% disposal of recyclable or recoverable waste to landfill • less than 0.1% of excavation spoil to landfill.	**Reject:** We proposed that NGN reports on these under the AER; therefore, we did not consider it necessary to set an additional reputational ODI in this area.	There was no specific feedback on our proposal. There was broad agreement with the EAP commitments we proposed to accept for reporting under the AER.	**Reject:** We have decided to implement our Draft Determinations position to include this reporting in the AER and therefore will not implement an additional ODI-R for this activity. For a consistent approach with other GDNs' costs, we have included the associated costs in the regression analysis.
EAP - Initiatives to Enhance Life on Land: • Targeted biodiversity improvements at >200 NGN sites • Embed tools to measure net change in ecosystem services at our 50 largest sites and natural capital on new large projects • Continue land remediation programme.	**Reject:** We proposed that NGN reports on these under the AER; therefore, we did not consider it necessary to set an additional reputational ODI in this area.	There was no specific feedback on our proposal. There was broad agreement with the EAP commitments we proposed to accept for reporting under the AER.	**Reject:** We have decided to implement our Draft Determinations position to include this reporting in the AER and therefore will not implement an additional ODI-R for this activity. For a consistent approach with other GDN's costs, we have included associated costs in the regression analysis.

Output name and description	Draft Determinations summary	Consultation response summary	Ofgem's Final Determination
EAP – Initiatives to facilitate a low carbon future: Reducing carbon footprint.	**Reject:** We proposed that NGN reports on its BCF reporting initiatives under the AER; therefore, we did not consider it necessary to set an additional reputational ODI in this area.	There was no specific feedback on our proposal. There was broad agreement with the EAP commitments we proposed to accept for reporting under the AER. All GDNs provided additional information for their fleet proposals, as requested in our Draft Determinations.	**Reject:** We have decided to implement our Draft Determinations position to include this reporting in the AER and therefore will not implement an additional ODI-R for this activity. For a consistent approach with other GDNs' costs, we have included the associated costs in the regression analysis. We have removed the costs for EVs and associated charging infrastructure and set an allowance for these through the common Commercial Fleet EV PCD (see GD Annex Chapter 2).

Table 57: NGN's bespoke LO proposals

LO name and description	Draft Determinations summary	Consultation response summary	Ofgem's Final Determination
GSOP 2 - Reinstatement of a customer's premises for both planned and unplanned interruptions: Reinstatement of a consumer's premises (private land) within three calendar days for planned and unplanned interruptions, excluding bank holidays.	**Reject:** There is insufficient evidence of the needs case for tightening the existing standard further than set out in our SSMD.[39] We are already proposing to double all current GSOP payment levels. We encourage NGN to retain this standard as a voluntary GSOP if any funds required to do so are sourced from company shareholders.	NGN stated that customers showed clear support for the output and it currently achieves the activity within three calendar days 65% of the time, which is stretching on the existing GSOP2[40] standard.	**Reject:** We have decided to implement our Draft Determinations position. It is not clear that an additional ODI is needed above GSOP2, that will be adjusted to three working days for PSR consumers. We accept the proposal is stretching on the existing GSOP2 standard, but we disagree that there is clear customer support for an output based on information provided in NGN's Business Plan.[41]
GSoP 3 - Alternative heating and cooking facilities for priority domestic customers: Four hours: £48 payment.	**Reject:** We are already proposing to double GSOP payments for RIIO-GD2, in place of this proposal.	There was no specific feedback on our proposal.	**Reject:** We have decided to implement our Draft Determinations position as we are already doubling GSOP payments for RIIO-GD2 (see Chapter 2 of the GD Annex).

[39] Chapter 2, Table 3 (5 working days).
[40] GSOP2 - Reinstatement of a customer's premises. GDNs must reinstate customer's premises within 5 working days, or 3 working days for PSR customers in RIIO-GD2. Further explanation of our decision is in Chapter 2 of the GD Annex.
[41] Only 52% of a stakeholder panel said restoration should include weekends, with 48% stating the current GSOP2 standard achieves a reasonable balance between weekday disruption, weekend noise and cost. A consensus was not reached on support to further stretch reinstatement targets. 91% of domestic, 68% non-domestic, 91% future customers and 80% of a stakeholders also supported current standard of 5 working days. See NGN appendix: https://www.northerngasnetworks.co.uk/wp-content/uploads/2019/12/A4-NGN-RIIO-2-Stakeholder-Engagement-Insights.pdf.

LO name and description	Draft Determinations summary	Consultation response summary	Ofgem's Final Determination
GSOP 4 - Standard connection/alteration quotation - <275kWh: Three Working Days: £20 per working day late, capped at lowest of £297 or quotation sum.	**Reject:** We are already proposing to double GSOP payments and tighten this standard. There is insufficient evidence of the needs case to tighten the existing standard further than set out in our SSMD[42] to warrant a bespoke measure. We encourage NGN to retain this standard as a voluntary GSOP if any funds required to do so are sourced from company shareholders.	There was no specific feedback on our proposal.	**Reject:** We have decided to implement our Draft Determinations position as we are already doubling GSOP payments for RIIO-GD2 (see Chapter 2 of the GD Annex).
GSOP 5 - Non-standard connection quotation below 275kWh: 11 Working Days: £20 per working day, up to quotation sum or £297 whichever is lowest.	**Reject:** We are already proposing to double GSOP payments for RIIO-GD2, in place of this proposal.	There was no specific feedback on our proposal.	**Reject:** We have decided to implement our Draft Determinations position as we are already doubling GSOP payments for RIIO-GD2 (see Chapter 2 of the GD Annex).
GSOP 6 - Non-standard connection quotation above 275kWh: 21 working days: £40 per working day late, capped at lowest of £595 or quotation sum.	**Reject:** We are already proposing to double GSOP payments for RIIO-GD2, in place of this proposal.	There was no specific feedback on our proposal.	**Reject:** We have decided to implement our Draft Determinations position as we are already doubling GSOP payments for RIIO-GD2 (see Chapter 2 of the GD Annex).
GSOP 8 - Response to land enquiries: Within five Working Days £80 per working day up to £297 (<275kWh) or £595 (>275kWh).	**Reject:** We are already proposing to double GSOP payments for RIIO-GD2, in place of this proposal.	There was no specific feedback on our proposal.	**Reject:** We have decided to implement our Draft Determinations position as we are already doubling GSOP payments for RIIO-GD2 (see Chapter 2 of the GD Annex).

[42] Paragraph 2.209 (4 working days).

LO name and description	Draft Determinations summary	Consultation response summary	Ofgem's Final Determination
GSOP 9 -Provision of start and completion date below 275kWh: Ten working days £40 per working day late, capped at lowest of £297 or quotation sum.	**Reject:** We are already proposing to double GSOP payments and tighten this standard. There is insufficient evidence of the needs case to tighten the existing standard further than set out in our SSMD[43] to warrant a bespoke measure. We encourage NGN to retain this standard as a voluntary GSOP if any funds required to do so are sourced from company shareholders.	There was no specific feedback on our proposal.	**Reject:** We have decided to implement our Draft Determinations position as we are already doubling GSOP payments for RIIO-GD2 (see Chapter 2 of the GD Annex).
GSOP 10 - Provision of start and completion date above 275kWh: 20 working days £80 per working day late, capped at lowest of £595 or quotation sum.	**Reject:** We are already proposing to double payments for RIIO-GD2, in place of this proposal.	There was no specific feedback on our proposal.	**Reject:** We have decided to implement our Draft Determinations position as we are already doubling GSOP payments for RIIO-GD2 (see Chapter 2 of the GD Annex).
GSOP 11 (i) -Completion of work on the agreed date <£1k: On agreed date: £40 per working day late.	**Reject:** We are already proposing to double payments for RIIO-GD2, in place of this proposal.	There was no specific feedback on our proposal.	**Reject:** We have decided to implement our Draft Determinations position as we are already doubling GSOP payments for RIIO-GD2 (see Chapter 2 of the GD Annex).
GSOP 11 (ii) -Completion of work on the agreed date ≤£4k: On agreed date: Lesser of £200 per working day late or 2.5% of contract sum.	**Reject:** We are already proposing to double payments for RIIO-GD2, in place of this proposal.	There was no specific feedback on our proposal.	**Reject:** We have decided to implement our Draft Determinations position as we are already doubling GSOP payments for RIIO-GD2 (see Chapter 2 of the GD Annex).

[43] Paragraph 2.210 (17 working days).

LO name and description	Draft Determinations summary	Consultation response summary	Ofgem's Final Determination
GSOP 11 (iii) -Completion of work on the agreed date ≤£20k: On agreed date: £200 per working day late.	**Reject:** We are already proposing to double payments for RIIO-GD2, in place of this proposal.	There was no specific feedback on our proposal.	**Reject:** We have decided to implement our Draft Determinations position as we are already doubling GSOP payments for RIIO-GD2 (see Chapter 2 of the GD Annex).
GSOP 11 (iv) -Completion of work on the agreed date ≤£50k: On agreed date: £200 per working day late.	**Reject:** We are already proposing to double payments for RIIO-GD2, in place of this proposal.	There was no specific feedback on our proposal.	**Reject:** We have decided to implement our Draft Determinations position as we are already doubling GSOP payments for RIIO-GD2 (see Chapter 2 of the GD Annex).
GSOP 11 (v) -Completion of work on the agreed date ≤£100k: On agreed date: £200 per working day late.	**Reject:** We are already proposing to double payments for RIIO-GD2, in place of this proposal.	There was no specific feedback on our proposal.	**Reject:** We have decided to implement our Draft Determinations position as we are already doubling GSOP payments for RIIO-GD2 (see Chapter 2 of the GD Annex).
GSOP 13- Notification in advance of a planned interruption: Seven days, £40 domestic, £100 non-domestic.	**Reject:** We are already proposing to double payments for RIIO-GD2, in place of this proposal.	There was no specific feedback on our proposal.	**Reject:** We have decided to implement our Draft Determinations position as we are already doubling GSOP payments for RIIO-GD2 (see Chapter 2 of the GD Annex).

Summary of Decisions - BPI Stage 2 - CVPs

A1.2 This section sets out our decisions on the CVPs that NGN 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 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 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 NGN'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 58: NGN's CVP proposals

CVP name and description	Draft Determinations summary	Consultation response summary	Ofgem's Final Determination
Enhanced Repair for Gas Escapes: Improved repair times for outstanding gas escapes within seven and 28 days in order to reduce leakage from the network and carbon impact associated with this.	**Accept:** We found sufficient evidence for the targets and benefits of this proposal for it to receive a CVP reward. However, we have revised the CVP value submitted by NGN. Our rationale follows this table.	For a summary of consultation responses, refer to Chapters 2 and 6 of the NGN Annex.	**Reject:** We have decided to change our Draft Determinations position, as we do not think that the level of commitment in the CVP proposal is sufficiently stretching (see NGN Annex Chapters 2 and 6).
Fuel poor connections: Proposal to deliver 2,000 Fuel Poor connections per year, above the minimum target of 1,000 per year, delivering £22m benefit over RIIO-GD2 and £84m over 15 years.	**Reject**: NGN's stretch targets are greater than its RIIO-GD1 performance. However, SGN has proposed greater FPNES targets than in RIIO-GD1 as its minimum standard, without including these in its CVP proposal. Therefore, we don't think NGNs proposal goes sufficiently beyond what some other network companies are doing to receive a CVP reward.	No specific feedback was provided on our proposal.	**Reject:** We have decided to implement our Draft Determinations position as we received no additional substantive evidence to justify a change.

CVP name and description	Draft Determinations summary	Consultation response summary	Ofgem's Final Determination
Hardship fund: Establish a Hardship fund to support those that cannot afford repairs/replacement to gas appliances post disconnection in RIIO-GD2, delivering £14m benefit over RIIO-GD2 and £49m over 15 years.	**Reject**: We think this CVP proposal constitutes corporate social responsibility (CSR) activities that are not within NGN's business footprint. We think CSR should be BAU for GDNs.	NGN believed that our acceptance of the associated bespoke output indicated the activity is within NGN's footprint and was inconsistent with our rationale to reject the CVP as CSR. NGN also believed that proposals accepted in Transmission deliver comparable benefits, therefore there was inconsistency in assessment.	**Reject:** We have decided to implement our Draft Determinations position. We maintain that charitable giving is a CSR activity outside of NGN's footprint. We have therefore decided not to provide an ODI or CVP (see Chapter 2 for our decision on the associated ODI). We also think that the provision of hardship funds is BAU for many utilities (and other large companies).We also do not consider that any of the CVPs that have been rewarded in Transmission are comparable, as no accepted Transmission CVP relates to providing funding for consumers in vulnerable situations.

CVP name and description	Draft Determinations summary	Consultation response summary	Ofgem's Final Determination
Community partnering fund: Contribution of £50,000 to a pot which is accessible to community groups and charities, delivering £0.5m benefit over RIIO-GD2.	**Reject**: We think this CVP proposal constitutes CSR activities that are not within NGN's business footprint. We think CSR should be BAU for GDNs.	NGN believed that our acceptance of the associated bespoke output indicated the activity is within NGN's footprint and was inconsistent with our rationale to reject the CVP as CSR. NGN also believed that proposals accepted in transmission deliver comparable benefits, therefore there was inconsistency in assessment.	**Reject:** We have decided to implement our Draft Determinations position. We maintain that charitable giving is a CSR activity outside of NGN's footprint. We have therefore decided not to provide an ODI or CVP (see Chapter 2 for our decision on the associated ODI). We also think that the provision of community funds is BAU for many utilities (and other large companies). As the NGGT CVP (Community Initiatives) is no longer being accepted, there is no inconsistency with Transmission. Additionally, NGN's proposed contribution is equal to the amount they contributed to their existing community partnering fund, which evolved from the Community Promises Fund they launched in 2015 and is therefore considered BAU.
Consumer vulnerability competency framework: Implementation of a customer vulnerability competency framework to train NGN staff to recognise vulnerability and manage vulnerable customers, delivering £0.13m benefit over RIIO-GD2 and £1.9m over 15 years.	**Reject**: We are not proposing to accept the associated ODI proposal (Social and Customer Competency Framework). This does not go beyond our expectation for the use of the consumer vulnerability and CO safety use-it-or-lose-it allowance, so this CVP item should not receive a CVP reward.	No specific feedback was provided on our proposal.	**Reject:** We have decided to implement our Draft Determinations position as we received no additional substantive evidence to justify a change.

CVP name and description	Draft Determinations summary	Consultation response summary	Ofgem's Final Determination
Company Cars: Implementation of a revised company car policy to include only full electric or hybrid vehicles, delivering £1.43m benefit over RIIO-GD2 and £2.44m over 15 years.	**Reject**: We do not think this proposal goes beyond BAU compared with the current performance of other GDNs. NGN's pledge to have company car carbon emissions of no greater than 95 gCO2e/km,[44] whereas Cadent state its average company car emissions are already 93 gC02e/km.[45]	No specific feedback was provided on our proposal.	**Reject:** We have decided to implement our Draft Determinations position as we received no additional substantive evidence to justify a change.
Tree planting: Voluntary planting of 40,000 trees across our network, delivering £0.95m benefit over RIIO-GD2 and £23m over 50 years.	**Reject**: We think this CVP proposal constitutes CSR activities that are not within NGN's business footprint. We think CSR should be BAU for GDNs. Cadent also delivered a similar performance in RIIO-GD1, planting four trees for every one cut down.[46]	NGN stated that the CVP goes beyond CSR and is within their footprint. The CVP is proactive investment not an offsetting approach and goes beyond BAU activities which it also undertakes. NGN also said this would be delivered at no cost to consumers. Performance is not comparable to Cadent's performance referenced in the DD as the number of trees NGN expects to plant is far greater. Additionally, NGN stated that there was inconsistency with Transmission as comparable biodiversity projects have been rewarded.	**Reject:** We have decided to implement our Draft Determinations position. We acknowledge that the performance NGN proposed surpasses that of Cadent and is not comparable. However, we still think that tree planting is a CSR activity outside of NGN's business footprint and will be delivered by a third-party initiative. We do not believe the CVPs accepted in Transmission are comparable as they involve more specific biodiversity investments related to areas impacted by construction and improving natural capital of land at network-owned sites. The CVP is not costless to consumers as the reward would be consumer funded.

[44] NGN Business Plan - A8 - NGN RIIO-2: Environmental Action Plan, page 23.
[45] Cadent Business Plan - Appendix 07.04.04: Carbon Neutral Operations, page 24.
[46] Cadent Business Plan, page 104.

CVP name and description	Draft Determinations summary	Consultation response summary	Ofgem's Final Determination
Appointments for Purge and Relight: Provision of an appointments system for purge and relight activities, delivering £25m benefit over RIIO-GD2.	**Reject**: We do not consider this idea is innovative and therefore, it should not receive a CVP reward. Ofgem considered GSOP appointment standards in its Sector Specific Methodology Consultation (SSMC),[47] but companies' customer research indicated a GSOP was not worthwhile at that time. Given three network companies have now submitted similar ideas, we are proposing to apply a common ODI-R for time-bound appointments.	NGN accepted Ofgem's position given the previous consultation that occurred for considering these.	**Reject:** We have decided to implement our Draft Determinations position as we are rejecting the associated bespoke ODI as explained in Table 55 therefore this does not warrant a CVP reward. In addition, there was no substantive further evidence submitted to lead us to change the position on this CVP proposed at Draft Determinations.
Complaint resolution: 60-minute standard for complaint resolution, delivering £6m benefit over RIIO-GD2.	**Reject**: We are not proposing to accept the associated ODI proposal (Complaints metric), so this CVP item should not receive a CVP reward.	No specific feedback was provided on our proposal.	**Reject:** We have decided to implement our Draft Determinations position as we have decided to reject the associated ODI (Complaints metric, see Table 55).

[47] See paragraphs 3.133-3.137 of the RIIO-GD2 GD Sector Annex to the RIIO-2 Sector Specific Methodology Consultation (SSMC GD Annex), 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
Gas restoration to appliance: Restoration of gas to appliances within two hours of restoring gas to the Emergency Control Valve (ECV), delivering £2.6m benefit over RIIO-GD2.	**Reject**: We do not consider this idea is innovative and therefore, it should not receive a CVP reward. Ofgem considered GSOP appointment standards in its Sector Specific Methodology Consultation (SSMC),[48] but companies' customer research indicated a GSOP was not worthwhile at that time. Given three network companies have now submitted similar ideas, we are proposing to apply a common ODI-R for time-bound appointments.	NGN accepted our position on appointments given the previous consultation considering these. However, NGN felt this output and CVP should be reconsidered as it focusses on restoring customer supply which is a different part of the customer journey and will be delivered at no additional cost.	**Reject:** We have decided not to implement an ODI-R for this activity as explained in Table 55, therefore this does not warrant a CVP reward. In addition, there was no substantive further evidence submitted to lead us to change the position on this CVP proposed at Draft Determinations. Our rationale and decision is set out in Chapter 2 of the GD Annex.
Reinstatement: Reinstatement of a consumer's premises (private land) within three calendar days for planned and unplanned interruptions, excluding bank holidays, delivering £6m benefit over RIIO-GD2.	**Reject**: We are not proposing to accept the associated ODI-R proposal (Reinstatement of a customer's premises for both planned and unplanned interruptions) for the reasons stated in Table 18, so it should not receive a CVP reward.	NGN believes the CVP is a clear improvement on the enhanced GSOP and is delivered at no incremental cost to customers. NGN's current performance for reinstatement within three days is 65% of the time, it will be costly to reach the 100% standard and NGN will provide compensation. NGN thought the proposal provides greater value than we acknowledged in our Draft Determinations as it helps to achieve the job completion time for the accepted connections bespoke output.	**Reject:** We have decided to implement our **Draft Determinations** position as we are rejecting the associated bespoke ODI as explained in Table 55 therefore this does not warrant a CVP reward. See 'Reinstatement of a customer's premises for both planned and unplanned interruptions'. Additionally, the CVP is not costless to consumers as the reward would be consumer funded.

[48] SSMC GD Annex, paragraphs 3.133-3.137.

CVP name and description	Draft Determinations summary	Consultation response summary	Ofgem's Final Determination
Citizens' Jury: Create an enduring role with the Citizen's Jury meeting three times a year, delivering £1.87m benefit over RIIO-GD2.	**Reject**: The proposal was first implemented in RIIO-GD1. While we are supportive of this activity, we expect GDNs to maintain RIIO-GD1 service levels and continue high-quality stakeholder engagement as part of BAU,[49] and therefore we don't think it should receive a CVP reward.	No specific feedback was provided on our proposal.	**Reject:** We have decided to implement our Draft Determinations position as we received no additional substantive evidence to justify a change in the position proposed at Draft Determinations.

Summary of decisions - bespoke uncertainty mechanisms

A1.6 This section sets out our decisions on the UMs that NGN proposed in its Business Plan, including our consideration of the Draft Determination responses, which we have summarised below, along with our decisions and rationale.

Table 59: NGN's bespoke UM proposals

UM name and description	Draft Determinations summary	Consultation response summary	Ofgem's Final Determination
Streetworks: About one third of Local Authorities currently have a streetworks scheme (eg lane rental), all expected to rollout so could increase costs from c£2m to c£5m.	**Reject:** We proposed to merge this proposal into a new common UM to address the uncertainty for future costs associated with new permit and lane rental schemes not yet in operation as set out in our Draft Determinations GD Annex.[50]	A consumer representative group and the RIIO-2 CG agreed with our proposal to introduce a common UM 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 received no additional substantive evidence to justify a change in the position proposed at Draft Determinations. See Chapter 4 of our GD Annex for details of the specified streetworks re-opener.

[49] Core Document, Chapter 4.
[50] Paragraphs 3.124-3.127 and 4.78-4.83.

UM name and description	Draft Determinations summary	Consultation response summary	Ofgem's Final Determination
Streetworks excavation disposal: Streetworks Legislation around the safe disposal of hazardous waste encountered during streetworks could change. Early analysis shows costs could increase by between £0.5m and £4m per year.	**Reject:** We found insufficient evidence of the cost impacts and a lack of detail for how to implement NGN's proposed mechanism.	NGN and a consumer representative group agreed with our proposal to introduce a common UM for streetworks instead of bespoke mechanisms. However, NGN stated that excavation disposal costs have not been addressed in the common streetworks UM.	**Reject:** We have decided to reject this bespoke UM proposal and to change the common re-opener to include excavation disposal. See Chapter 4 of our GD Annex for details of the specified streetworks re-opener.
Smart metering: Allow for efficiently incurred costs as a result of any material spikes in costs and workload. Minimum threshold as 0.5% of Totex, c£1.25m per annum.	**Reject:** We proposed to merge this proposal into a new common UM to address the uncertainty associated with the timing of the programme as set out in our Draft Determinations GD Annex.[51]	NGN, a consumer representative group and the RIIO-2 CG supported our proposal of a new common UM 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 received 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.

[51] Paragraphs 3.128-3.131 and 4.73-4.77.

UM name and description	Draft Determinations summary	Consultation response summary	Ofgem's Final Determination
Large load connections: Potential material increase in demand associated with electricity peaking plant could increase costs from c£1m to several million.	**Reject:** We proposed to merge this proposal into a new common UM. We considered that there was sufficient evidence the network company cannot manage the uncertainty within its baseline allowance. However, we considered the need for risk mitigation applies to all GDNs and we proposed a common re-opener that addresses both large load connections and reinforcement.[52]	There was no specific feedback on this proposed UM. The RIIO-2 CG supported our proposal of a new common UM 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 received 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.
High speed rail: If it goes ahead, NGN would have to move pipelines with costs of c£30m	**Reject:** This proposal is superseded by our proposed new common Diversions re-opener.[53]	A consumer representative group and the RIIO-2 CG supported our proposal of a new common UM instead of bespoke mechanisms. See Chapter 4 of our GD Annex (Diversions and Loss of Development Claims 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 received no additional substantive evidence to justify a change. See Chapter 4 of our GD Annex for details of the Pipeline Diversions and Loss of Development Claims re-opener.

[52] Draft Determinations GD Annex paragraphs 4.66-4.72.
[53] Draft Determinations GD Annex paragraphs 4.37-4.41.

UM name and description	Draft Determinations summary	Consultation response summary	Ofgem's Final Determination
TransPennine Rail Electrification: UIOLI proposed because the rail project is likely to require significant changes to the gas network along part of its route. The timing is unknown at this point but is likely in RIIO-GD2.	**Reject:** We proposed to merge this proposal into the proposed new common Capital Projects PCD.[54]	A consumer representative group agreed that TransPennine Rail Electrification should be made a new common PCD. See Chapter 2 of our GD Annex (Capital projects PCD) for a summary of responses to our position on the common mechanism. NGN commented that third-party project costs could exceed their original estimate and were concerned that the common PCD would not allow them to recover any overspend.	**Reject:** We have decided to implement our Draft Determinations position as we received no additional substantive evidence to justify a change**.** See Chapter 2 of our GD Annex for details of the Capital projects PCD. We have considered NGN's point on the potential for overspend. However, in this event we think higher costs could be considered through the Diversions and Loss of Development Re-opener, set out in Chapter 4 of our GD Annex.

[54] Draft Determinations GD Annex paragraphs 2.216-2.225, Draft Determinations NGN Annex Table 17.