

# Consultation

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## NGET Bespoke Civil Related Works Re-opener

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We are consulting on a Bespoke Civil Related Works Re-opener submitted by National Grid Electricity Transmission (NGET), as part of our RII0-2 network price control. We would like views from people with an interest in electricity transmission networks. We would also welcome responses from other stakeholders and the public.

This document outlines the scope and purpose of the consultation and asks the consultation questions, explaining how you can get involved. Once the consultation is closed, we will consider all responses. We want to be transparent in our consultations. We will publish the non-confidential responses we receive alongside a decision on next steps on our website at [ofgem.gov.uk/consultations](https://www.ofgem.gov.uk/consultations). If you want your response – in whole or in part – to be considered confidential, please tell us in your response and explain why. Please clearly mark the parts of your response that you consider to be confidential, and if possible, put the confidential material in separate appendices to your response.

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## **Executive Summary**

We are consulting on our minded-to position to enlarge the scope of the bespoke Civil Related Works Re-opener and our assessment of the needs case, optioneering, efficient costs and funding mechanism for a related application submitted by National Grid Electricity Transmission (NGET) on 25 August 2022.

NGET requested funds in their RIIO-2<sup>1</sup> Business Plan for a range of civil works in their substations. However, as per our RIIO-2 Final Determinations (FDs)<sup>2</sup>, we only awarded partial funding for these works as NGET had not conducted appropriate asset condition assessments. We established this bespoke re-opener, as per Special Condition (SpC) 3.32,<sup>3</sup> to allow NGET to request additional funding during the RIIO-2 price control period for a range of Civil Related Works in their substations, if they could evidence appropriate asset condition assessment.

Typically, civil structures in electricity substations can be used for a long period, 40 to 50 years for some assets and up to 100 years for others. Asset condition does deteriorate over time though, and it is therefore critical that there is timely intervention in relation to deteriorated assets in order to maintain a safe, reliable and affordable network for the consumer.

We, however, found that the licence stipulated that the scope of this re-opener is limited to interventions in respect of existing assets and, except in the case of roads, does not extend to asset replacement. This is, however, not in line with our policy intent from RIIO-2 FDs, which has always contemplated interventions on existing assets including repair, refurbishment or replacement for Civil Related Works. Our minded-to position is to enlarge the scope of this re-opener by amending the licence to permit the replacement of assets, where appropriate.

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<sup>1</sup> RIIO stands for Revenues = Incentives + Innovation + Outputs

<sup>2</sup>

[https://www.ofgem.gov.uk/sites/default/files/docs/2021/02/final\\_determination\\_nget\\_annex\\_revised.pdf](https://www.ofgem.gov.uk/sites/default/files/docs/2021/02/final_determination_nget_annex_revised.pdf) (Chapter 3)

<sup>3</sup>

<https://epr.ofgem.gov.uk/Content/Documents/National%20Grid%20Electricity%20Transmission%20plc%20-%20Special%20Conditions%20Consolidated%20-%20Current%20Version.pdf>

We consider some of the interventions proposed by NGET in this re-opener were out of the scope of the Civil Related Works definition, but were in line with the intended scope of this re-opener. We consider that NGET provided sufficient evidence to justify its proposed interventions for the substation sites with whole site condition monitoring, comprehensive survey of fixed wiring, and with urgent but unforeseen needs.

We have concerns about the needs case for interventions where condition data is kept under NGET's existing database. These concerns are similar to those we voiced in reaching our RIIO-2 FDs.

We consider that NGET used a reasonable approach to select options for the proposed interventions. We agree that a targeted repair approach balances reliability and cost to deliver the most effective intervention for consumers.

We have assessed NGET's proposed costs. We consider the costs submitted by NGET are the best estimates for the works proposed. However, because of the concerns about the needs case for interventions where condition data is kept under NGET's existing database as mentioned above, our minded-to position is to provide partial funding for this category of works to ensure essential remedial interventions are covered.

The Operational Expenditure (Opex) will be adjusted in accordance with the Opex Escalator mechanism as set out in the FDs.<sup>4</sup>

The rest of this document summarises NGET's submission and explains our findings to support our minded-to position.

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[https://www.ofgem.gov.uk/sites/default/files/docs/2021/02/final\\_determinations\\_et\\_annex\\_revise\\_d.pdf](https://www.ofgem.gov.uk/sites/default/files/docs/2021/02/final_determinations_et_annex_revise_d.pdf) (p.76)

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## 1. Introduction

### Section summary

This section introduces what we are consulting on and provides background information on this re-opener.

### What are we consulting on?

1.1. We are consulting on our minded-to position to enlarge the scope of this re-opener and our assessment of the needs case, optioneering, efficient costs and funding mechanism for Civil Related Works, the subject of an application submitted by NGET on 25 August 2022 under a Bespoke Civil Related Works Re-opener.

1.2. NGET requested funds in their RIIO-2 Business Plan for a range of civil works in their substations. However, as per our RIIO-2 FDs, we only awarded partial funding for these works as NGET had not conducted appropriate asset condition assessments. We established this bespoke re-opener, as per SpC 3.32 to allow NGET to request additional funding during the RIIO-2 price control period for a range of Civil Related Works in their substations, if they could evidence appropriate asset condition assessment.

1.3. NGET submitted its application under SpC 3.32 (Civil Related Works Re-opener) as a result of identifying further evidence to support a needs case for Civil Related Works included in its Business Plan, but in relation to which no allowance has been provided to date. Additional information can be found in the application document from NGET.<sup>5</sup>

1.4. NGET considers that its application satisfies the requirements of SpC 3.32 and that it is made in accordance with the RIIO-2 Re-opener Guidance and Applications Requirements<sup>6</sup> which, pursuant to SpC 9.4 (Re-opener Guidance and Application Requirements Document), explains how licensees must prepare their Re-opener applications. Subject to addressing the issue raised by the scope of NGET's application, we agree with NGET that its application meets the above-mentioned licence

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<sup>5</sup> <https://www.nationalgrid.com/electricity-transmission/document/145766/download>

<sup>6</sup>

[https://www.ofgem.gov.uk/sites/default/files/docs/2021/02/reopener\\_guidance\\_and\\_application\\_requirements\\_document.pdf](https://www.ofgem.gov.uk/sites/default/files/docs/2021/02/reopener_guidance_and_application_requirements_document.pdf)

requirements and is consistent with the above-mentioned Guidance. We have provided a summary of our assessment in Appendix 2.

## **Background information on the re-opener**

1.5. The RIIO-2 price control runs from 1 April 2021 until 31 March 2026. It includes a range of Uncertainty Mechanisms (UMs) that will allow us to assess further funding during RIIO-2 as the need, cost or timing of works becomes clearer. This ensures that consumers fund projects only when there is clear evidence of benefit, and we have clarity on likely costs. These mechanisms also ensure that the RIIO-2 price control has flexibility to adapt as the pathways to the Net Zero target become clearer.

1.6. Civil Related Works are the interventions on existing substation civil structures which are considered by NGET and Ofgem to be in a condition warranting intervention, including roof, building, asset structures, new roads and replacements, vehicular and pedestrian trench crossings in substations and environmental interventions (related to drainage and oil containment issues on substations).

1.7. During engagement before the FDs<sup>7</sup>, NGET informed us that there are potentially significant volumes of assets in poor condition. In extreme cases, the substation will be unable to function properly if, as a result of failure to fund timely interventions, there are failures in buildings and structures. This was a concern as it suggested that in some instances, interventions such as replacement might be required. We therefore decided to provide a Bespoke Substation Civil Related Works Re-opener to consider additional funding when NGET had collected the levels of condition data required to establish a robust needs case for any further investment.

## **Consultation approach**

1.8. In its re-opener submission, NGET provided Ofgem with a needs case, preferred option and detailed costs, evidence of the alignment of its application with its overall

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[https://www.ofgem.gov.uk/sites/default/files/docs/2021/02/final\\_determination\\_nget\\_annex\\_revised.pdf](https://www.ofgem.gov.uk/sites/default/files/docs/2021/02/final_determination_nget_annex_revised.pdf)

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business strategy and commitments, and the proposed funding mechanism for different categories of works.

1.9. This consultation sets out our minded-to position on NGET's application in the following areas:

- the scope of this re-opener
- the needs case
- the alternative options and the justification for NGET's preferred option
- the efficient costs of NGET's preferred option and
- the funding mechanism.

1.10. Through this consultation we are seeking views on our assessment of NGET's application and on our minded-to position to approve additional funding.

## **Context and related publications**

1.11. This document is intended to be read alongside:

- 1) RIIO-2 Re-opener Guidance and Application Requirements Document<sup>8</sup>
- 2) NGET Special Licence Conditions (SpCs 1.1 and 3.32).<sup>9</sup>

1.12. The scope of this consultation is limited to NGET's Bespoke Substation Civil Related Works Re-opener application.

## **Consultation stages**

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<sup>8</sup> <https://www.ofgem.gov.uk/sites/default/files/2022-02/Re-opener%20Guidance%20And%20Application%20Requirements%20Document%20Version%202.pdf>

<sup>9</sup> <https://epr.ofgem.gov.uk/Content/Documents/National%20Grid%20Electricity%20Transmission%20plc%20-%20Special%20Conditions%20Consolidated%20-%20Current%20Version.pdf>

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1.13. This consultation will open on 14 December 2022 and close on 16 January 2023. We will review and publish the non-confidential responses after the consultation closes and publish our decision in due course.

## **How to respond**

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

1.15. We've asked for your feedback on each of the consultation questions. Please respond to each question as fully as you can.

1.16. We will publish non-confidential responses on our website at [www.ofgem.gov.uk/consultations](http://www.ofgem.gov.uk/consultations).

## **Your response, data and confidentiality**

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

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

1.19. If the information you give in your response contains personal data under the General Data Protection Regulation (Regulation (EU) 2016/679) as retained in domestic law following the UK's withdrawal from the European Union ("UK GDPR"), the Gas and Electricity Markets Authority will be the data controller for the purposes of GDPR. Ofgem uses the information in responses in performing its statutory functions and in accordance

with section 105 of the Utilities Act 2000. Please refer to our Privacy Notice on consultations (see Appendix 3).

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

## General feedback


1.21. We believe that consultation is at the heart of good policy development. We welcome any comments about how we've run this consultation. We'd also like to get your answers to these questions:

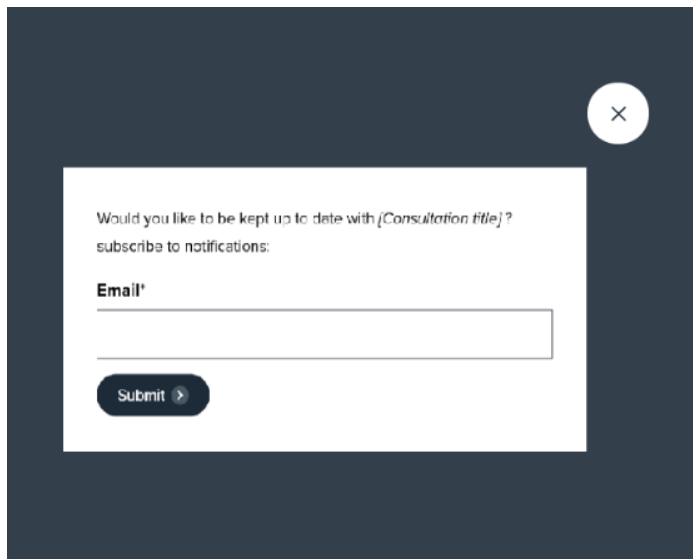
1. Do you have any comments about the overall process of this consultation?
2. Do you have any comments about its tone and content?
3. Was it easy to read and understand? Or could it have been better written?
4. Were its conclusions balanced?
5. Did it make reasoned recommendations for improvement?
6. Any further comments?

Please send any general feedback comments to [stakeholders@ofgem.gov.uk](mailto:stakeholders@ofgem.gov.uk)

## How to track the progress of the consultation

1.22. You can track the progress of a consultation from upcoming to decision status using the 'notify me' function on a consultation page when published on our website. [Ofgem.gov.uk/consultations](https://www.ofgem.gov.uk/consultations)

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Would you like to be kept up to date with [Consultation title]?  
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Once subscribed to the notifications for a particular consultation, you will receive an email to notify you when it has changed status. Our consultation stages are:

**Upcoming** > **Open** > **Closed** (awaiting decision) > **Closed** (with decision)

## 2. Needs case for the proposed interventions

### Section summary

In this section, we summarise the main issues on the scope of this re-opener and our assessment of the needs case for interventions proposed in NGET's related application.

### Questions

- Q1. Do you agree with our minded-to position to enlarge the scope of this re-opener, in line with our original policy intent?
- Q2. Do you agree with our proposed amendment to NGET Electricity transmission licence - Special Condition 1.1.16?
- Q3. Do you agree with our minded-to position on the needs case for the interventions proposed in the Bespoke Civil Related Works Re-opener?

### Scope of this re-opener

2.1. The licence conditions (SpC 1.1 and 3.32)<sup>10</sup> and the relevant paragraphs 3.96 and 3.97 in the FDs<sup>11</sup> stipulated that the scope of this re-opener is limited to interventions on existing assets and, except in the case of roads, does not extend to replacement of assets.

2.2. Our policy intent for this re-opener, however, has always been to cover interventions on existing assets, including repair, refurbishment or replacement of assets where appropriate. This is not reflected in the licence condition as it now stands. We consider our policy intent allows more options to be available for determining the best option for individual interventions that are required to reduce the risk of failure of the infrastructure, which in turn maintain a safe, reliable and affordable network for consumers. We also consider that, in some cases, it would be more beneficial for the asset to be replaced rather than repaired where the cost of repair is too high when compared to that of replacement or it is not feasible to repair.

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<sup>10</sup>

<https://epr.ofgem.gov.uk/Content/Documents/National%20Grid%20Electricity%20Transmission%20plc%20-%20Special%20Conditions%20Consolidated%20-%20Current%20Version.pdf>

<sup>11</sup>

[https://www.ofgem.gov.uk/sites/default/files/docs/2021/02/final\\_determination\\_nget\\_annex\\_revised.pdf](https://www.ofgem.gov.uk/sites/default/files/docs/2021/02/final_determination_nget_annex_revised.pdf)

2.3. Therefore, our minded-to position is to enlarge the scope of this re-opener by amending the licence condition related to the definition of Civil Related Works in SpC 1.1.16 as below:

Civil Related Works	means interventions on existing substation civil structures which are considered by the licensee and Authority to be in a condition warranting intervention, including <u>repair, refurbishment or replacement of</u> roof, building, asset structures, new roads and replacements, vehicular and pedestrian trench crossings in substations and environmental <u>interventions</u> ( <u>related to</u> drainage and oil containment issues on substations).
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2.4. We have considered to make the licence change before proceeding our assessment on NGET's submission. However, to speed up our decision on this re-opener so that essential interventions could be proceeded timely, we consider consulting both the amendment of licence and our assessment results at the same time will be more desirable. In the following sections, we assessed NGET's submission with reference to our proposed amended definition of Civil Related Works. If we decide not to amend the definition after considering the consultation feedback, we will re-assess NGET's submission in line with the current licence conditions and will consult on the updated assessment results accordingly.

2.5. In this submission, NGET proposed interventions in respect of existing assets which include repair, refurbishment or replacement of assets, where appropriate. We consider NGET's proposed interventions are within the intended scope of this re-opener.

## **NGET's Demonstration of needs case**

2.6. The needs case for NGET's re-opener submission is driven primarily by asset condition. NGET highlight in their re-opener submission that a significant portion of their infrastructure on substation sites, having been installed in the 1960s and 1970s, is deteriorating to a state where it requires intervention to reduce the level of risk associated with the infrastructure asset(s).

2.7. In order to assess the requirement for intervention, it is necessary to quantify the criticality of the asset on the network. To do this NGET have referred to the International Council on Large Electric Systems (CIGRE) Technical Brochure 858: Asset Health Indices

for equipment in existing substations<sup>12</sup>, to develop scores for the criticality of the asset in relation to its failure. Each asset is given a criticality score based on four possible consequence scenarios for failures within each asset category (see Table 1).

**Table 1: Civils Criticality Scenarios**

Civils Criticality	Possible consequence
<b>1</b>	If something happens then the substation is unable to function properly. For example, when the roof of the control building is leaking heavily then all the equipment inside may suffer from water damage and therefore stop functioning.
<b>2</b>	If something happens then the asset (primary or secondary) related to that is unable to function properly. For example, when support of the disconnector is failing then it is unable to use that disconnector.
<b>3</b>	If something happens then nothing will happen to the substation in the short term, but it will affect reliability in the long term, for example, when drainage is not functioning properly.
<b>4</b>	If something happens then nothing will happen to the substation that may affect reliability, but it will make service provision more inconvenient. For example, when a road is broken such that the access to the substation is inconvenient.

2.8. In addition to the criticality score, a scoring system to articulate consistently the severity of asset deterioration is needed. NGET have looked to other organisations and methodologies, principally CIGRE technical brochures 761<sup>13</sup> and 858<sup>14</sup> as well as the Common Network Asset Indices Methodology<sup>15</sup> (CNAIM) employed by Distribution Network Operators. Table 2 below shows the mapping of the classifications of NGET’s asset condition scoring system against other methodologies.

<sup>12</sup> <https://e-cigre.org/publication/858-asset-health-indices-for-equipment-in-existing-substations>

<sup>13</sup> <https://e-cigre.org/publication/761-condition-assessment-of-power-transformers>

<sup>14</sup> <https://e-cigre.org/publication/858-asset-health-indices-for-equipment-in-existing-substations>

<sup>15</sup> [https://www.ofgem.gov.uk/sites/default/files/docs/2021/04/dno\\_common\\_network\\_asset\\_indices\\_methodology\\_v2.1\\_final\\_01-04-2021.pdf](https://www.ofgem.gov.uk/sites/default/files/docs/2021/04/dno_common_network_asset_indices_methodology_v2.1_final_01-04-2021.pdf)

**Table 2: NGET Asset Condition Scoring System**

NGET's Score	CIGRE's Indices	CNAIM's Indices
0	A	As New / Good
10	A	Normal Wear / Good
20	A	Normal Wear / Good
30	B	Slight Deterioration
40	B	Some Deterioration / Poor
50	B	Some Deterioration / Poor
60	C	Some Deterioration / Poor
70	C	Some Deterioration / Poor
80	D	Substantial Deterioration / Very Poor
90	D	Substantial Deterioration / Very Poor
100	E	Substantial Deterioration / Very Poor

2.9. NGET utilised an in-house database known as "Plant Status" to flag infrastructure assets that require review and assessment by their Asset Management teams. Once the asset has been assessed and a need for intervention identified, the Plant Status database is updated, and the relevant entry flagged for proposed investment.

2.10. In this submission, NGET requested funding for the Plant Status database entries, in relation to which a need for investment was identified by Asset Management teams based upon both their Asset Condition score and their criticality to the network. NGET advised that site surveys were undertaken in 2021/22 to take photographs, collect information and, identify remedial works required.

2.11. NGET also completed whole site assessments at 20 high priority sites, with each civil asset on site being given an Asset Condition score. This is referred to as "Site Condition Monitoring" in their submission.

2.12. NGET also requested funding for the "Fixed Wiring" portion of the work, which does not exist as a Plant Status entry. This element of the re-opener comprises approximately 3000 different observations at 92 sites. This work has been identified following a comprehensive site survey programme conducting Electrical Intervention Condition Reporting (EICR) in line with BS 7671: 2018.<sup>16</sup>

2.13. NGET also requested funding to cover future urgent interventions, which are presently unknown. This element refers to interventions that occur within the RIIO-2

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<sup>16</sup> <https://electrical.theiet.org/bs-7671/>

period that are unforeseen but have high priority with high criticality scenario score and high condition score.

2.14. The detailed need cases for the proposed interventions are summarised in Table 3 below.

**Table 3: Need Case for Proposed Interventions**

Category	Number of items	Need Case
<b>1) Plant Status</b> <ul style="list-style-type: none"> <li>• Non-Outage Interventions &lt; £250k</li> <li>• Outage Related Interventions &lt; £250k</li> <li>• £1m&gt; Interventions &gt;£250k</li> <li>• Interventions &gt; £1m</li> </ul>	108 102 14 4	"Plant Status" database entries in relation to which NGET have identified a need for intervention, based upon both their Asset Condition score (desktop-based assessment using recent survey data and current photographs) and their criticality to the network.
<b>2) Fixed Wiring</b>	92	This work has been identified at 92 sites following a comprehensive site survey programme conducting Electrical Intervention Condition Reporting (EICR) in line with BS 7671: 2018.
<b>3) Site Condition Monitoring</b>	20	Whole site assessments at 20 high priority sites, each civil asset being given an Asset Condition score.
<b>4) Urgent but Unforeseen Interventions</b>	80	Interventions that occur within the RIIO-2 period that are unforeseen but have a high priority with high criticality scenario score and high condition score.

## Our initial view of needs case

2.15. The FDs stated that Ofgem have "...decided to provide a bespoke Substation Civil Investment Works re-opener to consider additional funding when NGET has collected the



levels of condition data required to establish a robust needs case for any further investment".<sup>17</sup>

2.16. "Plant Status" is an internal database NGET used to collect a range of site information, from major to minor defects but only on scattered assets within the site. Previous consideration by Ofgem in RIIO-2 FDs concluded that the Plant Status system could only provide limited condition data and there was no standardised data collection. The inability to extract data coherently was one of the main reasons behind our decision in FDs to only approve funding to fund NGET whole site inspections for all sites so that they can create their "new civil asset condition data". The FDs also included a re-opener as mentioned in 2.10, which allows NGET to submit an application for funding once data collection has been finished.

2.17. We do not think NGET has fulfilled our expectations as described in FDs, in which we expect a full set of updated asset condition data for establishing the robust need case.<sup>18</sup> NGET, however, have only delivered a new database system for keeping "new civil data", which will replace the existing "Plant Status" database. Apart from the civil assets in the 20 sites with whole site condition monitoring, updated condition data for most of the other civil assets are still lacking. NGET expect the whole asset data system will be completed by end of RIIO-2 period.

2.18. Instead of a full set of asset condition data, NGET only completed whole site condition monitoring for 20 high priority sites and a comprehensive site survey on fixed wiring at 92 sites.

2.19. NGET further supplemented the existing "Plant Status" database with site surveys conducted in 2021/22 for selected entries in the database and assigned condition scores based upon the current description and photographs of the asset. These site surveys were confined to collecting information for confirmation of the issue, determining remedial works and taking photographs. The condition data are still for the scattered assets only and those for the remaining part of the whole site are still lacking.

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<sup>17</sup>

[https://www.ofgem.gov.uk/sites/default/files/docs/2021/02/final\\_determination\\_nget\\_annex\\_revised.pdf](https://www.ofgem.gov.uk/sites/default/files/docs/2021/02/final_determination_nget_annex_revised.pdf) (paragraph 3.97)

<sup>18</sup>

[https://www.ofgem.gov.uk/sites/default/files/docs/2021/02/final\\_determination\\_nget\\_annex\\_revised.pdf](https://www.ofgem.gov.uk/sites/default/files/docs/2021/02/final_determination_nget_annex_revised.pdf) (paragraph 3.97)

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2.20. We have assessed the information submitted and we are comfortable with the level of detail provided in supporting information for the proposed works in categories two to four. The whole site assessment and the survey in relation to the “Fixed Wiring” provide comprehensive condition data to determine the required interventions to upkeep the asset health and hence the reliability of the networks. For the unforeseen urgent interventions, NGET provided examples of urgent interventions needed in recent years and we are satisfied that there is a need to make provision to cover these urgent interventions. Therefore, our minded-to position is that we consider there is sufficient justification for the Civil Related Works proposed following whole site assessment at the 20 high priority sites, at the 92 sites at which a comprehensive survey in relation to the “Fixed Wiring” component of NGET’s application was undertaken and in relation to assets that require urgent unforeseen interventions. We are satisfied that these works fulfil the requirements for this bespoke re-opener.

2.21. However, we continue to lack confidence in the needs case for the entries in NGET’s “Plant Status” database. There are many entries in relation to assets which were judged to be in poor condition many years ago. For instance, some have been included in the Plant Status database since 2010. While NGET have made efforts to provide a condition score for individual entries, there is lack of detailed information as to why the risk identified many years ago is now no longer acceptable. NGET confirmed that they are unable to provide historic or comparative condition data.

2.22. Notwithstanding our concerns as mentioned in 2.21, we recognise that some portions of the infrastructure on NGET’s substation sites may be deteriorating to a state where it may require intervention to reduce the level of risk. Furthermore, when assigning a condition score, NGET gave some assets scores of 80 or above, equivalent to “substantial deterioration or very poor”. We are, therefore, minded-to award only partial funding for those interventions under “Plant Status” database to cover the essential remedial works during the RIIO-2 period. The partial funding is estimated to be about 18% of the original request for this category of works and the details are discussed in Section 4.

2.23. NGET has considered several options to address the needs case and has provided detailed information on its analysis for the shortlisted option. We set out in the following Section our view on the optioneering carried out by NGET.

### 3. Assessment of options for the proposed interventions

#### Section summary

We detail our assessment of all the options considered by NGET and its methodology for selection of the preferred option for the interventions. We set out our minded-to position in relation to NGET's preferred option.

#### Questions

- Q4. Do you agree with our minded-to position on the options to meet the needs case?
- Q5. Do you agree with our minded-to position on the methodology for selection of NGET's preferred option?

### Option Selection

3.1. NGET has assessed five options for delivering the individual interventions proposed in its application to satisfy the needs case. The broad options were:

- 1) Do nothing or minimum
- 2) Decommission part of or the complete system
- 3) Repair / Refurbishment (will usually involve replacement of components within a system such as a new pump and fan motor for a transformer cooling system)
- 4) Full replacement of a system by smaller or larger system
- 5) Full replacement of a system like for like.

### NGET's Methodology for selection of the preferred option

3.2. In its submission, NGET detailed investments with an estimated value over £1m on an individual basis. The justification for the selection of each of these options is set out in detail within the Asset Specific Investment papers.<sup>19</sup>

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<sup>19</sup> <https://www.nationalgrid.com/electricity-transmission/document/145766/download> (p.33)

3.3. For the remaining interventions under £1m on an individual basis, in general, where repair is possible and would reduce the Asset Condition score to 0 for 10 or more years, NGET proposed to repair the asset. Where the cost of replacement is comparable to that of repair, but replacement would significantly extend the life of the asset, NGET would look to replace it. There are exceptions to this generalisation. For instance, a repair will not necessarily reduce the asset condition score to 0 but the repair work will extend the asset life beyond 10 years. An example of this would be a patch repair to an aged existing roof that currently has an asset health score of 60 based upon a known leak. The patch repair will create a section of roof that scores 0 but much of the roof will still be aged. In a scenario such as this the overall condition score would be reduced to 20.

3.4. Owing to the varied nature of proposed interventions, NGET have determined the preferred option using the recommendations of the specialist framework contractors and their knowledgeable and experienced operations teams in this submission. NGET would further review the preferred option when detailed investigations take place at the point of quotation.

3.5. All options are weighed in line with their specific risks and, where a repair does not meet the conditions stated in 3.3 or is not possible, NGET considers it more beneficial to replace the asset.

3.6. Items within the Plant Status Database that had a preferred option of 1 (Do Nothing/ Minimum) have not been included within this reopener.

## **Our minded-to view of the potential options and the methodology for selection of the preferred option**

3.7. We have considered the options put forwarded by NGET and the methodology deployed by NGET to determine the appropriate option. Based on our assessment of NGET's evaluation of the options, we are satisfied NGET have considered an appropriate range of possible options to address the needs case.

3.8. We agree with NGET's methodology to use condition data to facilitate a case-by-case approach rather than single strategy method as this may lead to the replacement of assets in good condition assets which would lead to unnecessary costs for the consumer.

3.9. Overall, our minded-to view is to accept the option for the targeted interventions that NGET have put forward.

## 4. Cost assessment

### Section summary

This section sets out our assessment of the submitted costs of the Civils Related Works.

### Questions

- Q6. Do you agree with our cost assessment of NGET's proposed Bespoke Re-opener costs?
- Q7. Do you agree with our minded-to position to award NGET a Use-it-or-lost-it allowance for the proposed Bespoke Re-opener?

## Overview of NGET's costs

4.1. NGET's original funding request in its RIIO-2 Business Plan for Civil Related Works in RIIO-2 was £83.56m. In RIIO-2 FDs, NGET was awarded funding of £25.45m, but we rejected £58.11m of their requested funding due to insufficient evidence for the needs case. The awarded funding was to address immediate interventions and to fund NGET whole site inspection for all sites so that they can create their "new civil asset condition data" to provide comprehensive asset condition details to support any re-opener request. NGET is now applying for additional funding to carry out proposed Civil Related Works, based on the surveys.

4.2. NGET have now requested additional funding of £49.697m to deliver the four categories of interventions under the Bespoke Civil Related Works Re-opener (Table 4) as described in Section 3. NGET also proposed to use Use-it-or-lost-it allowance (UIOLI) or an evaluative Price Control Deliverable (PCD)<sup>20</sup> as funding mechanisms for different categories of works as shown in Table 4.

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<sup>20</sup> Details of UIOLI and PCD can be found in Chapters 4 and 7 of the RIIO-2 FDs – Core Document respectively. [https://www.ofgem.gov.uk/sites/default/files/docs/2020/12/final\\_determinations\\_-\\_core\\_document.pdf](https://www.ofgem.gov.uk/sites/default/files/docs/2020/12/final_determinations_-_core_document.pdf)

**Table 4: Requested Additional Funding for the Proposed Interventions**

Category	Funding Mechanism	Cost
<b>1) Plant Status</b>		
Non-Outage interventions < £250k	UIOLI	£8.150m
Outage Related interventions < £250k	UIOLI	£8.051m
£1m> Interventions >£250k	UIOLI	£7.548m
Interventions > £1m	Evaluative PCD	£7.091m
<b>2) Fixed Wiring</b>	UIOLI	£3.097m
<b>3) Site Condition Monitoring</b>	UIOLI	£11.665m
<b>4) Urgent Unforeseen Interventions</b>	UIOLI	£4.080m
<b>Total Works:</b>		<b>£49.697m</b>

4.3. NGET appointed a contractor with the remit of surveying the notified Plant Status defects and providing a cost estimate of the intervention required, based upon their knowledge and experience of undertaking similar works. The contractor’s estimated costs are reviewed by NGET using existing industry rates and benchmarked against previous quotations.

4.4. NGET explained in their submission that cost estimation based on historical data and industry expertise is the best method to support its application to Ofgem at this time. The individual interventions included in the re-opener are relatively small-scale in nature, spread across 184 sites and are planned to be undertaken within the remainder of the RIIO-2 period. Therefore, formal quotations would not be viable as they will be time limited (four weeks for minor works and three months for major works in the current market due, principally, to inflation). To ensure they represent a balanced view of all types of works across a wide geographical area would be resource intensive. Additionally, the quantity of interventions that would require quotations would not lend itself to inviting contractors to tender ahead of this re-opener submission.

4.5. NGET submitted the cost estimates in 2018/2019 prices with the following costs excluded. These costs are considered Closely Associated Indirect (CAI) costs and as such are funded via the Opex Escalator Mechanism<sup>21</sup>.

- Operational IT & Telecoms
- Network Design & Engineering
- Network Planning
- Project Management
- Engineering Management and Clerical Support
- System Mapping
- Stores and Logistics
- Operational Training
- Vehicles and Transport
- Market Facilitation
- Health and Safety

## **Our view of the costs and funding mechanism**

4.6. We are satisfied that the costs submitted based on the approach described above are the best estimates, given the number of interventions involved and the limitations as described in 4.4.

4.7. As discussed in Section 2, we are satisfied with the needs case for the interventions proposed under categories two to four. Accordingly, our minded-to view is to approve the funding for these three categories of works.

4.8. However, as discussed in Section 2, we lack confidence in the needs case for those interventions submitted under the Plant Status database (category one). Our minded-to view is to provide partial funding to ensure essential remedial works are covered. The proportion of the partial funding is estimated to be about 18% of the requested funding, based on the assumption that the assets with condition score equal or higher than 80 are substantially deteriorated and the remedial works proposed for these assets would be essential to reduce the level of risk associated with them.

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<sup>21</sup>

[https://www.ofgem.gov.uk/sites/default/files/docs/2021/02/final\\_determinations\\_et\\_annex\\_revise\\_d.pdf](https://www.ofgem.gov.uk/sites/default/files/docs/2021/02/final_determinations_et_annex_revise_d.pdf) (p.76)

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4.9. As we are minded only to provide partial funding for works under category one, we are further minded-to bundle the sub-categories into a lump sum so that NGET has more flexibility to deploy the funding as required for essential works. We consider using four UIOLI allowances, one for each category of works is more appropriate to provide this flexibility.

4.10. The table below summarises NGET’s funding request, our proposed adjustments, and our proposed allowances against each of the components for the project.

**Table 5: Proposed funding and proposed adjustments**

Category	NGET Request (£m)	Ofgem Proposed Adjustments (£m)	Ofgem Proposed Allowances (£m)
1) Plant Status		-25.333	5.507
• Non-Outage interventions < £250k	8.150		
• Outage Related Interventions < £250k	8.051		
• £1m> Interventions >£250k	7.548		
• Interventions > £1m	7.091		
2) Fixed Wiring	3.097	-	3.097
3) Site Condition Monitoring	11.665	-	11.665
4) Urgent Unforeseen Interventions	4.080	-	4.080
<b>Total Works:</b>	<b>49.697</b>	<b>-25.333</b>	<b>24.349</b>

## 5. Next Steps

5.1. We welcome your responses to this consultation, both generally, and in particular on the specific questions in Sections 2, 3 and 4. Please send your response to: [Sai.Lo@ofgem.gov.uk](mailto:Sai.Lo@ofgem.gov.uk). The deadline for response is 16 January 2023.

5.2. We will conclude our assessment of NGET's Bespoke Civil Related Works Re-opener application with a decision in due course.

5.3. We will make any licence changes necessary to implement decision, which will be informed by consultation responses. Under SpC 3.32 of NGET's licence, we will adjust the CWRt term if necessary.

## Appendices

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## **Appendix 1 – Consultation questions**

**Consultation Question 1:** Do you agree with our minded-to position on the scope of this re-opener, in line with our original policy intent?

**Consultation Question 2:** Do you agree with our proposed amendment on NGET Electricity transmission licence - Special Condition 1.1.16?

**Consultation Question 3:** Do you agree with our minded-to position on the needs case for the interventions proposed in the Bespoke Civil Related Works Re-opener?

**Consultation Question 4:** Do you agree with our minded-to position on the options to meet the needs case?

**Consultation Question 5:** Do you agree with our minded-to position on the methodology for selection of NGET's preferred option?

**Consultation Question 6:** Do you agree with our cost assessment of NGET's proposed Bespoke Re-opener costs?

**Consultation Question 7:** Do you agree with our minded-to position on the funding mechanism for NGET's proposed Bespoke Re-opener?

## Appendix 2 – Assessment on Re-opener application requirements

A2.1 In this section, we detail our assessment of NGET’s application for Bespoke Civil Related Works Re-opener against the Re-opener application requirements in in SpC 3.32 and the Re-opener Guidance and Application Requirements Document. (See Table 6 below).

**Table 6: Re-opener application requirements**

Document	Requirement	Has the requirement been met?
SpC 3.32.6 (a) <sup>22</sup>	A statement of the adjustment to the CWRt term that the licensee is requesting and the Regulatory Years to which that adjustment relates.	Yes
SpC 3.32.6 (b)	An explanation of the basis of the calculation for the proposed adjustment to the CWRt term.	Yes
SpC 3.32.6 (c)	The specific Civil Related Works that the licensee proposes to deliver.	Yes
SpC 3.32.6 (d)	Such detailed supporting evidence, as is reasonable in the circumstances, which must include 3.32.6 (e), (f), (g) and (h) below.	Yes
SpC 3.32.6 (e)	A needs case for the Civil Related Works informed by network surveys.	Yes
SpC 3.32.6 (f)	A breakdown of the costs associated with the Civil Related Work for the Authority’s review.	Yes
SpC 3.32.6 (g)	The resultant impact on asset health due to the proposed Civil Related Works.	Yes
SpC 3.32.6 (h)	An explanation of whether the licensee considers that the adjustment to allowances sought and the works set out in accordance with 3.32.6 (c) should be made an Evaluative PCD, including what delivery date and PCD output definition the licensee considers should be specified.	Yes
SpC 3.32.7	An application under paragraph 3.32.4 of this condition must:  (a) relate to costs incurred or expected to be incurred after 1 April 2021; and  (b) must not exceed £58.1m.	Yes

<sup>22</sup> More detail is available in the RIIO-ET2 “ET Annex” FDs document, chapter 4. See link: [RIIO-2 Final Determinations for Transmission and Gas Distribution network companies and the Electricity System Operator | Ofgem](#)

SpC 9.4.3	Must prepare any applications for Re-openers in accordance with any applicable provisions of the Re-opener Guidance and Application Requirements Document.	Yes
RIIO-2 Re-opener Guidance and Applications Requirements 2.2 <sup>23</sup>	An application accompanied by written confirmation from a suitable senior person within the company that outlines accuracy and quality assurance internal governance arrangements.	Yes
RIIO-2 Re-opener Guidance and Applications Requirements 2.4	Publication of the complete application in a prominent place on the company website, within 5 working days of submission to Ofgem.	Yes <sup>24</sup>
RIIO-2 Re-opener Guidance and Applications Requirements 3.3	Each application must include a table that maps out which sections of the application relate to individual requirements as set out in the relevant Re-opener licence condition and Chapter 3 of RIIO-2 Re-opener Guidance and Applications Requirements.	Yes
RIIO-2 Re-opener Guidance and Applications Requirements 3.4	Where the licensee will not be able to provide the required information listed in the RIIO-2 Re-opener Guidance and Applications Requirements, the licensees must provide a justification for not providing all of the required information.	Yes
RIIO-2 Re-opener Guidance and Applications Requirements 3.8	All Re-opener applications must include a needs case whether or not this is a specified requirement of the relevant Re-opener licence condition or Re-opener Guidance.	Yes
RIIO-2 Re-opener Guidance and Applications Requirements 3.9	The needs case must contain the alignment with overall business strategy and commitments.	Yes
RIIO-2 Re-opener Guidance and Applications Requirements 3.10	The needs case must contain a clear statement of how the proposed expenditure aligns with the licensees' overall future business strategy and commitments, including consideration of how it relates to the licensee's RIIO-2 licence or other statutory obligations and, if relevant, its RIIO-3 business plan.	Yes
RIIO-2 Re-opener Guidance and Applications Requirements 3.11	Must include a clear statement as to the need for the proposed expenditure or the problem the licensee is trying to address in the context of its significance for consumers and network assets. The affected consumers / assets must be	Yes

<sup>23</sup> [Re-opener Guidance and Application Requirements document | Ofgem](#)

<sup>24</sup> <https://www.nationalgrid.com/electricity-transmission/about-us/business-plan>

	identified, and the associated risk being addressed quantified, where possible.	
RIIO-2 Re-opener Guidance and Applications Requirements 3.12	Must provide the rationale for the level of expenditure proposed and why this level should be regarded as being efficient.	Yes
RIIO-2 Re-opener Guidance and Applications Requirements 3.13	Must include a clear description of the long and short list of options considered and the selection process undertaken to reach the preferred option.	Yes
RIIO-2 Re-opener Guidance and Applications Requirements 3.14	Must include a clear description of the preferred option, sufficient to allow us to make an informed decision on whether the preferred option is suitable.	Yes
RIIO-2 Re-opener Guidance and Applications Requirements 3.15	Must include a clear statement as to any project delivery and monitoring plan for the preferred option.	Yes
RIIO-2 Re-opener Guidance and Applications Requirements 3.16, 3.17	Must include an explanation of how stakeholder engagement contributed to the identification and design of the preferred option. Where stakeholder engagement may not be necessary because there is no material impact on stakeholders, or where the application is driven by statutory obligations, a brief explanation must be provided as to why stakeholder engagement was not considered appropriate.	Yes
RIIO-2 Re-opener Guidance and Applications Requirements 3.19, 3.20	To provide sufficient cost information to justify: <ul style="list-style-type: none"> <li>- why expenditure is additional to that already provided for by baseline allowances or other mechanisms; and</li> <li>- why the level of costs is efficient.</li> </ul> This should be submitted in accordance with the format and detail specified at paragraph 3.20.	Yes
RIIO-2 Re-opener Guidance and Applications Requirements 3.21, 3.22	Where Cost Benefit Analysis and Engineering Justifications Papers are included in an application, these must be consistent with Ofgem’s guidance published in September 2019.	Yes

A2.2 Ofgem considers that NGET’s application has met the necessary requirements set out in both the applicable Special Licence conditions as we propose to amend them and the detailed Re-opener application criteria set out in the RIIO-2 Re-opener Guidance as listed in the Table above.

## Appendix 3 – Privacy notice on consultations

### Personal data

The following explains your rights and gives you the information you are entitled to under the General Data Protection Regulation (GDPR).

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

#### **1. The identity of the controller and contact details of our Data Protection Officer**

The Gas and Electricity Markets Authority is the controller, (for ease of reference, "Ofgem"). The Data Protection Officer can be contacted at [dpo@ofgem.gov.uk](mailto:dpo@ofgem.gov.uk)

#### **2. Why we are collecting your personal data**

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

#### **3. Our legal basis for processing your personal data**

As a public authority, the GDPR makes provision for Ofgem to process personal data as necessary for the effective performance of a task carried out in the public interest. i.e. a consultation.

#### **4. With whom we will be sharing your personal data**

***(Include here all organisations outside Ofgem who will be given all or some of the data. There is no need to include organisations that will only receive anonymised data. If different organisations see different set of data then make this clear. Be as specific as possible.)***

#### **5. For how long we will keep your personal data, or criteria used to determine the retention period.**

Your personal data will be held for ***(be as clear as possible but allow room for changes to programmes or policy. It is acceptable to give a relative time e.g. 'six months after the project is closed')***

#### **6. Your rights**



The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right to:

- know how we use your personal data
- access your personal data
- have personal data corrected if it is inaccurate or incomplete
- ask us to delete personal data when we no longer need it
- ask us to restrict how we process your data
- get your data from us and re-use it across other services
- object to certain ways we use your data
- be safeguarded against risks where decisions based on your data are taken entirely automatically
- tell us if we can share your information with 3<sup>rd</sup> parties
- tell us your preferred frequency, content and format of our communications with you
- to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at <https://ico.org.uk/>, or telephone 0303 123 1113.

**7. Your personal data will not be sent overseas** (Note that this cannot be claimed if using Survey Monkey for the consultation as their servers are in the US. In that case use “the Data you provide directly will be stored by Survey Monkey on their servers in the United States. We have taken all necessary precautions to ensure that your rights in term of data protection will not be compromised by this”.

**8. Your personal data will not be used for any automated decision making.**

**9. Your personal data will be stored in a secure government IT system.** (If using a third party system such as Survey Monkey to gather the data, you will need to state clearly at which point the data will be moved from there to our internal systems.)

**10. More information** For more information on how Ofgem processes your data, click on the link to our “[ofgem privacy promise](#)”.