

Consultation



Making a positive difference
for energy consumers

Bacton Terminal site re-development – Final Preferred Option

Subject	Details
Publication date:	27/06/2024
Response deadline:	25/07/2024
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We are consulting on our Final Preferred Option for redevelopment at the Bacton Gas Terminal. We are seeking views from all interested stakeholders in particular, network companies, gas shippers, consumer groups, environmental groups, and the public. This document sets out our proposed Final Preferred Option and seeks responses to several specific questions. The responses we receive will be considered before our final decision is issued.

We want our consultations process to be transparent. So we intend publishing the non-confidential responses received on our website at [Ofgem.gov.uk/consultations](https://www.ofgem.gov.uk/consultations) along-side our decision. If you want your response – in whole or in part – to be considered confidential, please tell us 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

Bacton Terminal site redevelopment - Final Preferred Option

In our RIIO-T2 Final Determinations we accepted the 'needs case' for investment at the Bacton Gas Terminal. This is to ensure the safe, reliable and compliant operation of the terminal beyond 2035, while continuing to meet the needs of network users, ensuring security of supply and the efficient operation of wholesale markets in Great Britain and Europe. In recognition of this we provided £10.50m (2018/19 prices) of baseline funding in the form of a Price Control Deliverable in National Gas Transmission's Gas Transporter licence.

However, given the level of uncertainty with respect to both the 'preferred option' and the level of funding required, we decided that the project would be subject to our Gas Transmission Project Assessment Process. This two-stage process is set out in Special Condition 3.10: Bacton Terminal site redevelopment Re-opener and Price Control Deliverable (PCD). Under the PCD, National Gas Transmission is required to submit a Final Option Selection Report in February 2024 followed by a Re-opener application seeking a funding direction between May and August 2025. The Final Option Selection Report must contain a Final Preferred Option along with supporting evidence necessary for the Authority to make a determination. The Authority can

- Approve the proposed Final Preferred Option;
- Reject the proposed Final Preferred Option on the basis that the Authority considers no further work should go ahead at this time;
- Reject the proposed Final Preferred Option and approve one of the other options in the Final Option Selection Report; or
- Reject the proposed Final Preferred Option and set out additional information that should be provided to identify the best option before a resubmission of the Final Option Selection Report.

In compliance with Special Condition 3.10, National Gas Transmission submitted a Final Option Selection Report in February 2024. This identified the Final Preferred Option as being Option 1 Base Case Asset Health.

Having considered the evidence presented in the Final Option Selection Report, we propose approving the Final Preferred Option identified in the report. Our proposed Final Preferred

Option is Option 1 Base Case Asset Health, with asset health interventions being sufficient to meet the regulatory objectives described above.

Separately we include a proposed direction under Special Condition 3.10.11 to establish a new Re-opener window between 1 October 2024 and 31 October 2024.

Next Steps

We welcome responses to our consultation, in particular to the specific questions we have included in Chapters 4 and 5. Please send your response to: graham.craig@ofgem.gov.uk by 25 July 2024. We expect to publish our decision on the Final Preferred Option no later than 6 September 2024.

1. Introduction

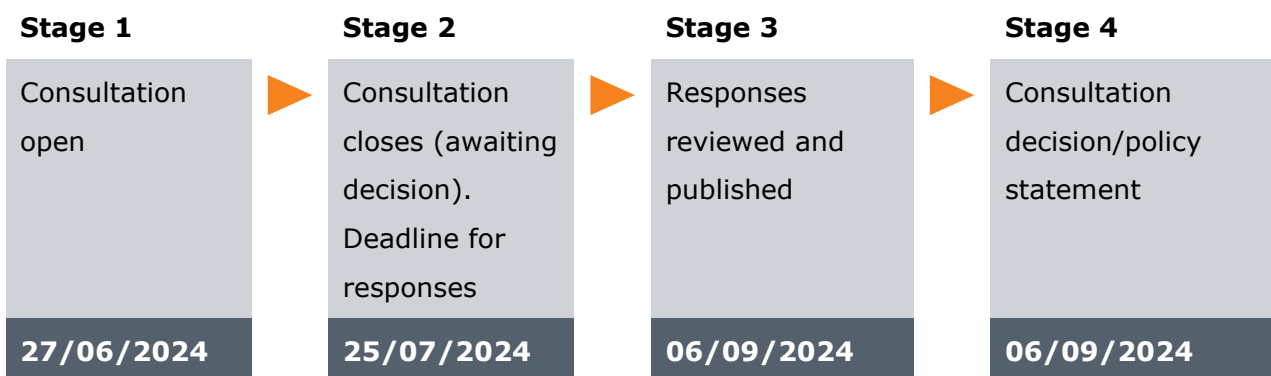
What are we consulting on?

1.1. This consultation sets out our minded to position to approve the Final Preferred Option identified by National Gas Transmission in the Bacton Terminal Site Redevelopment Final Option Selection Report (Base Case Asset Health).

1.2. This consultation sets out our assessment of the evidence presented in the Final Option Selection Report and the various factors we have considered when reaching our minded to position. We are seeking views from interested stakeholders on our assessment of the evidence and our minded to position as to the Final Preferred Option.

Consultation Process

1.3. Figure 1 shows the stages of this consultation process:



How to respond

1.4. 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. We have asked for your feedback in each of the questions throughout. Please respond to each one as fully as you can. We will publish non-confidential responses on our website at www.ofgem.gov.uk/consultations.

Your response, data and confidentiality

1.5. You can ask us to keep your response, or parts of your response, confidential. We will 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.

1.6. 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 will contact 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.

1.7. 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 4.

1.8. If you wish to respond confidentially, we will keep your response itself confidential, but we will publish the number (but not the names) of confidential responses we receive. We will not 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

1.9. We believe that consultation is at the heart of good policy development. We welcome any comments about how we have run this consultation. We would 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?

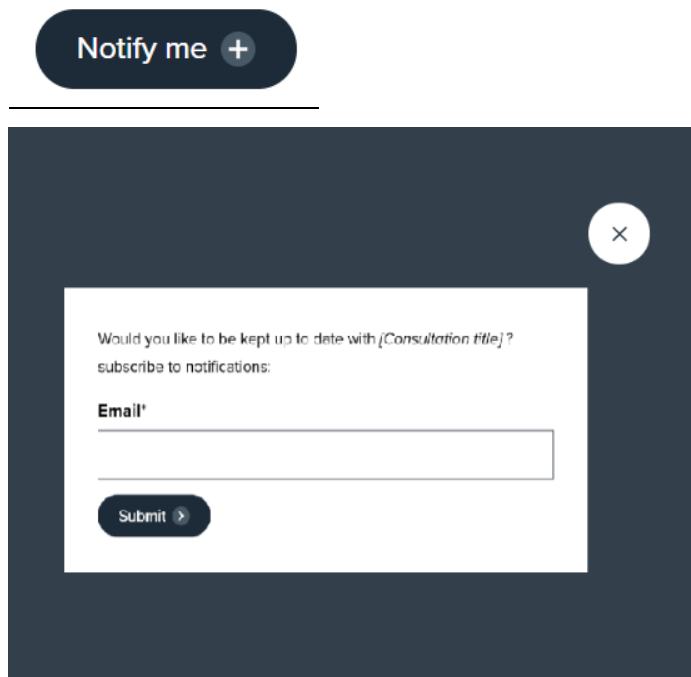
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3. Was it easy to read and understand or could it have been better written?
 4. Were its conclusions balanced?
 5. Did it make reasoned recommendations for improvement?
 6. Any further comments?

Please send any general feedback comments to stakeholders@ofgem.gov.uk

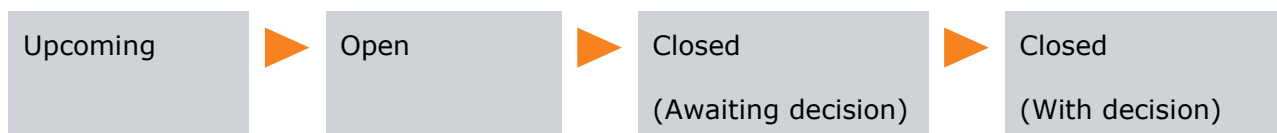
How to track the progress of the consultation

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).



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:



2. Bacton Terminal site redevelopment Re-opener and Price Control Deliverable mechanism

Section summary

This chapter gives an overview of the RIIO-2 Re-opener mechanism and our assessment process.

Overview of the RIIO-2 Re-Opener mechanism

2.1. The gas transmission network in Great Britain is owned and operated by National Gas Transmission. Economic regulation of the network follows the RIIO (Revenue = Incentives + Innovation + Outputs) price control framework. The current RIIO-T2 price control period will last five years from 1 April 2021 to 31 March 2026. Prior to commencement of the price control period, we set out in our Final Determinations¹ our policy on the economic regulation of the network during the period. These policy decisions were given effect by new Special Conditions in Part C of the National Gas Transmission Gas Transporter licence, which came into force on 1 April 2021.

2.2. In our RIIO-T2 Final Determinations we accepted the 'needs case' for investment at the Bacton Gas Terminal. This is to ensure the safe, reliable and compliant operation of the terminal beyond 2035, while continuing to meet the needs of network users, ensuring security supply and the efficient operation of wholesale markets in Great Britain and Europe. In recognition of this we provided £10.50m (2018/19 prices) of baseline funding in the form of a Price Control Deliverable in National Gas Transmission's licence.

2.3. However, given the level of uncertainty with respect to both the 'preferred option' and the level of funding required, we decided that the project would be subject to our Gas Transmission Project Assessment Process.

2.4. This two-stage process is set out in Special Condition 3.10 Bacton Terminal site redevelopment Re-opener and Price Control Deliverable. National Gas Transmission is

¹ [Final Determinations – NGGT Annex \(Revised\)](#)

required to submit a Final Option Selection Report in February 2024 followed by a Re-opener application seeking a funding direction between May and August 2025.² The Final Option Selection Report must contain a Final Preferred Option along with supporting evidence necessary for the Authority to make a determination. Upon receiving the Final Option Selection Report, the Authority can

- Approve the proposed Final Preferred Option;
- Reject the proposed Final Preferred Option on the basis that the Authority considers no further work should go ahead at this time;
- Reject the proposed Final Preferred Option and approve one of the other options in the Final Option Selection Report; or
reject the proposed Final Preferred Option and set out additional information that should be provided to identify the best option before a resubmission of the Final Option Selection Report.

2.5. Special Condition 9.4 requires that all Re-opener applications must be prepared in accordance with our Re-opener Guidance and Application Requirements Document.³ This includes guidance on the preparation of Engineering Justification Papers and which is the key tool we expect to be used in the identification of a 'preferred option'. In addition, it sets out our Re-opener Application Assessment Process.⁴

2.6. In February 2024, in accordance with Special Condition 3.10, National Gas Transmission submitted a Final Option Selection Report for investment at Bacton Gas Terminal. In accordance with our application assessment process, having determined that a valid submission had been submitted, we proceeded to a detailed assessment of the Final Option Selection Report and the Final Preferred Option. We made our determination on the validity of National Gas Transmission's submission because it was submitted⁵

- Compliant with the requirements set out in Special Condition 3.10.8;

² [Direction issued by the Authority 5 September 2022](#)

³ [RIIO2 Re-opener Guidance and Application Requirements Version 3.0 | Ofgem](#)

⁴ [RIIO-2 indicative Re-opener application assessment process: working document | Ofgem](#)

⁵ Bacton Terminal site redevelopment FOSR submission in February 2024 - Appendix I – Mapping of Ofgem Requirements

-
- Compliant with the requirement set out Special Condition 9.4.3 to prepare the submission in accordance with our Re-opener Guidance and Application Requirements Document;
 - Compliant with the requirement set out in our Price Control Deliverable Reporting Requirements and Methodology Document (Appendix 5);⁶
 - Published on the National Gas Transmission website within five working days of submission with any redactions in line with our Re-opener Guidance and Application Requirements Document;⁷ and
 - Accompanied by a letter of assurance that met the requirements set out in our Re-opener Guidance and Application Requirements Document⁸.

⁶ [Price Control Deliverable Reporting Requirements and Methodology Document | Ofgem](#)

⁷ [National Gas Transmission website](#)

⁸ Bacton Terminal site redevelopment FOSR submission in February 2024 - Appendix G Assurance Letter

3. Bacton Terminal site development Final Option Selection Report

Section summary

This chapter summarises the option selection process set out in the Final Option Selection Report submitted by National Gas Transmission.

Bacton Gas Terminal

3.1. Bacton Gas Terminal is both a key system entry and exit point on the National Transmission System. Gas enters and exits the site through the following infrastructure:

- Two sub-terminals (Shell - two incomers and Peremco - four incomers) that process gas produced in the North Sea before entering the site, with a total baseline obligated entry capacity of 44.8 mscm/day. Future Entry Scenarios anticipate that supplies from this source will cease at some point after 2035.
- Two interconnectors (Interconnector UK and BBL) that can either import or export gas between Great Britain and Belgium, with a total baseline obligated entry capacity of 119.8 mscm/day and a total baseline exit capacity of 63 mscm/day. Future Energy Scenarios anticipate continued interconnector flows beyond 2050.
- Two offtakes (Cadent Gas Distribution Network and Great Yarmouth Power Station) that supply gas to end consumers, with a total baseline obligated exit capacity of 2.2 mscm/day with exit flows expected to continue beyond 2040.
- Five National Transmission System pipelines, three of which (Feeders 2,4 and 27) can operate in both directions, two of which (Feeders 3 and 5) only used for gas leaving the site.

3.2. A central ring-main (1,472m of 600mm pipework) within the site allows gas to be moved around the site between the various entry and exit points providing a high degree of operational flexibility. Figure 1 below provides a simplified diagram of the Bacton Gas Terminal.

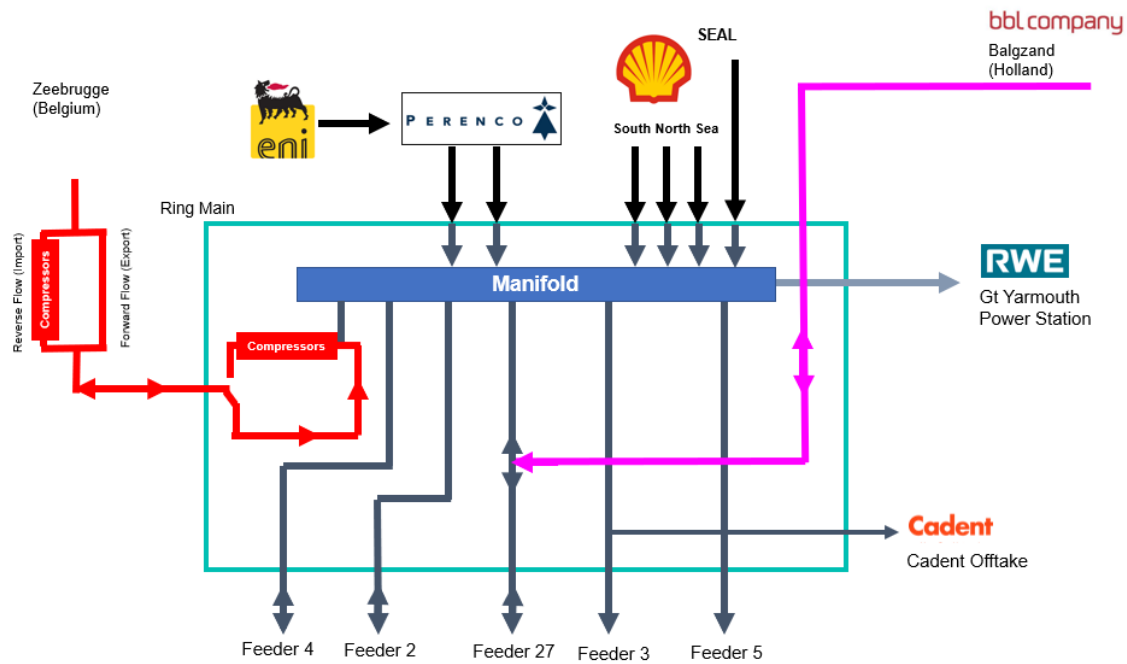


Figure 1 - Simplified Terminal Arrangement

3.3. Bacton Gas Terminal has been in continuous operation since 1968 and will remain in use out to 2050 and beyond. There remains a need to invest in the site to meet the short-term requirement to ensure continued safe, reliable and compliant operation of the terminal.

Option Selection Process

3.4. From a long list of some 26 strategic options National Gas Transmission identified a shortlist of three viable options. All three options have the same base case asset health investment requirements until at least 20335:

- Option 1 – Base Case Asset Health
- Option 2 – Major Rationalisation with Reduced Capacity
- Option 3a - New build within existing site (above ground, modular build, minimal reuse of assets)
- Option 3b - New build on an adjacent site (above ground, modular build, minimal reuse of assets)

3.5. Table 1 below summarises the three shortlisted options considered in the Final Option Selection Report.

Option	Applicable Period	Capacity	Description
1	2025 -2035	160 mscmd	Continue current site operations with ongoing maintenance of equipment until when supply from the Shell and Peremco sub-terminals cease.
	2035 -2050	120 mscmd	Reduce site operations and ongoing maintenance to reflect cessation of supply from Shell and Peremco sub-terminals.
2	2035-2050	120 mscmd	Site modification with new ring main following cessation of supply from Shell and Peremco sub terminals. Direct connection between interconnectors and NTS feeders
3a	2035-2050	120 mscmd	New build on existing site following cessation of supply from Shell and Peremco sub terminals. Direct connection between interconnectors and NTS feeders
3b	2035-2050	120 mscmd	New build on adjacent site following cessation of supply from Shell and Peremco sub terminals. Direct connection between interconnectors and NTS feeders

Table 1 - Options build up summary.

3.6. As part of the option selection process the following studies were carried out with the assistance of competent third parties.

3.7. **Defect Review** – A detailed review of all open defects with assessment of, defects due to be closed using RIIO-T2 baseline funding, defects remediated through implementing the shortlisted option, defects remediated through RIIO-T3 and RIIO-T4 submissions.

3.8. **Asset Review**⁹ – A detailed review of the status of all relevant assets across different options and an assessment of the interventions required to ensure the terminal remains operational up to at least 2050.

3.9. **Reliability, Availability, Maintainability (RAM) Study**¹⁰ - This study predicts the performance of the site, considering factors such as Future Energy Scenarios and ongoing equipment deterioration (predicted failures for various asset types and age). Deliverability, the ability of the terminal to meet operational requirements was predicted for 2025 and 2050 under five flow scenarios including peak winter and summer conditions, high Bacton exit and low Bacton imports. This helps identify those assets which have the greatest impact on the ability of the terminal to meet operational requirements. The study demonstrated that

⁹ Bacton Terminal site redevelopment FOSR submission in February 2024 - Appendix D Technical Justification Data

¹⁰ Bacton Terminal site redevelopment FOSR submission in February 2024 - Appendix B RAM Study

without intervention there would be a material reduction in in the deliverability metric by 2050. Figure 2 below summarises the key output from this study.

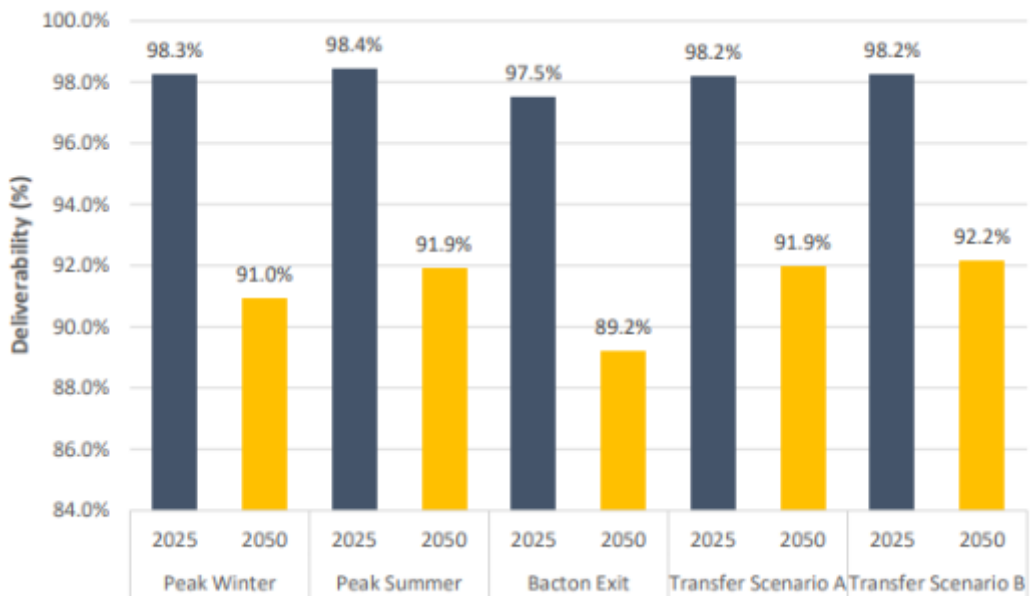


Figure 2 -

RAM Bacton Terminal Deliverability 2025 and 2050 by scenario

3.10. **Remnant Life Study¹¹** – This study assesses the significance of integrity threats and determine the remaining life of the main terminal pipework. This included a Threat Assessment to identify relevant and credible pipework degradation mechanisms that may limit the future operation of the main pipework. As part of the assessment physical inspection of the Cathodic Protection system and underground pipework corrosion protection coating was carried out. In summary, the Threat Assessment concluded that, based on an assumed worst case unmitigated corrosion rate of 0.25 mm/year, that the remaining life of the below ground pipework is at least 56 years assuming that intervening actions are taken with items such as the Cathodic Protection system replacement.

3.11. In addition, a quantitative Fatigue Life Assessment to estimate the remaining fatigue life of the pipework using stress analysis software in accordance with the requirements of IGE/TD/12 ED2. The Fatigue Life Assessment concluded that, the pipework fatigue usage corresponds to a minimum remaining life of 40 years. For those specific locations where

¹¹ Bacton Terminal site redevelopment FOSR submission in February 2024 - Appendix C Remnant Life Study

fatigue usage is shown to be an exception, it is possible that a less conservative analysis result could be obtained using physically measured data.

3.12. **Deliverability Review** – A detailed review which considers the programme aspects of each short-listed option to consider how interactions at the site would be managed.

3.13. **Stakeholder Engagement**¹² – The views of the following stakeholders were taken into account: In particular with respect to future entry and exit flows and operational requirements.

- Sub Terminals at Bacton
- Interconnectors
- Producers and Offshore Pipeline Operators
- North Sea Transition Authority (NSTA) formerly Oil and Gas Authority (OGA)
- Local Offtakes – Cadent and Great Yarmouth Power Station
- Local councils, authorities, and residents (via the local councils)

3.14. **Cost Estimate** –These were built up of data from two sources. (1) A 2021 estimate produced on a AACE International RP 18R-97 Class IV (4) cost estimation basis, with a target ±30% cost accuracy. (2) A 2023 estimate for specific asset health interventions provided by a contractor with recent experience of delivering similar interventions on the National Transmission System. Table 2 below summarises the capital expenditure estimate for each of the short listed options, 2018/19 prices. The level of cost confidence is +/- 30% and the estimate does not include the standard Unallocated Provisions uplift of 30%.

Capex 2018/19 £m	2025-2035 (£m)	2035-2050 (£m)	Total
Option 1	█	█	█
Option 2	█	█	█
Option 3a	█	█	█
Option 3b	█	█	█

Table 2 – Capital Expenditure Estimates

¹² Bacton Terminal site redevelopment FOSR submission in February 2024 - Appendix H Stakeholder Engagement

3.15. Table 3 below summarises the build-up of the capital expenditure estimate for asset health intervention during the 2025-35 period which are common to all short-listed options.

Capex 18/19 prices (£m)	RIIO-2 ¹³	RIIO-3	RIIO-4	Totals
Critical Valves & Actuators				
Low Voltage Electrical				
Instrumentation & Cabling				
Cathodic Protection System				
Civils & Painting				
Total				

Table 3 – Capital Expenditure Estimates 2025 -35

3.16. **Front End Engineering Design Study Decision Matrix¹⁴** - As part of this assessment experts from both National Gas Transmission and external advisors drew up a list of criteria against which each option should be judged. Each criterion was given a weight using a pairwise comparison technique. The list of criteria was assessed in pairs to quantify their relative importance against each other. Each option was then given a score between 1 and 10 against each criterion, before being adjusted to reflect the weight given to that criteria. The maximum score any option could receive is 10, in which case it would have received the maximum score against each criterion. Table 4 below summarises the scores received by each short-listed option against the relevant criteria

Criteria	Weighting (%)	Option	Option	Option	Option	Option
		1 (2025-35)	1 (2035-50)	2	3a	3b
Allows for hydrogen compatible design	2.13	0.03	0.03	0.08	0.15	0.16
CAPEX	19.16	1.61	1.57	1.02	0.61	0.52
Constructability Risk (less SIMOPS)	17.02	1.23	1.20	0.85	0.78	1.00
Greenfield t – planning conditions	14.89	1.37	1.37	1.34	1.26	0.36
Opex should be reduced	8.51	0.39	0.42	0.52	0.52	0.55

¹³ Excludes asset health interventions which could not be deferred and were funded through asset health related baseline allowances and the Asset Health Re-opener SpC 3.14

¹⁴ Bacton Terminal site redevelopment FOSR submission in February 2024 - Appendix A FEED Study

Permits reuse of existing assets	8.51	0.70	0.66	0.55	0.28	0.25
Reduces current gas inventory (COMAH)	1.06	0.02	0.03	0.07	0.06	0.06
Terminal operations simplified	5.32	0.11	0.14	0.30	0.35	0.36
Minimal environmental impacts	14.89	0.97	0.89	0.84	0.72	0.42
Above ground piping is minimal	8.51	0.65	0.65	0.50	0.32	0.30
Total	100	7.07	6.96	6.08	5.07	3.97

Table 4 – Shortlisted Option Assessment Criteria Weighted Scoring

Final Preferred Option

3.17. The Final Option Selection Report identified Option 1: Base Case Assert Health as the Final Preferred Option for approval by the Authority in compliance with Special Condition 3.10.8.

3.18. The Final Preferred Option includes no regrets asset health interventions out to 2035. Followed by reduced site operations after the cessation of gas supplies from the Shell and Peremco sub-terminals.

3.19. Separately National Gas Transmission has requested that we issue a direction under Special Condition 3.10.11 to establish a new Re-opener window between 1 October 2024 and 31 October 2024. This reflects the advanced stage of Front End Engineering Design study development and will permit work on delivering the Final Preferred Option during the current price control period.

4. Our assessment and proposed Final Preferred Option

Section summary

In this chapter we offer for consideration our assessment of the evidence set out in the Final Option Selection Report and the reasons for our proposed Final Preferred Option

Questions

Question 4.1: Do respondents agree with our assessment of the evidence presented in the Final Option Selection Report?

Our assessment of the 'needs case'.

4.1. As set out in our RIIO-T2 Final Determinations, the 'needs case' for investment at the Bacton Gas Terminal is to ensure the safe, reliable and compliant operation of the terminal beyond 2035, while continuing to meet the needs of network users and ensuring security supply and the efficient operation of wholesale markets in Great Britain and Europe. We consider that the Final Option Selection Report aligns with National Gas Transmission's Bacton Terminal Investment Strategy which continues to demonstrate that Bacton Gas Terminal will remain a key National Transmission System entry and exit point out to at least 2050.

Our assessment of options considered and short-listed

4.2. Our assessment is that the Final Option Selection Report considered an appropriate range of available options and shortlisted only those options which would provide a viable solution, given the operational requirements at Bacton Gas Terminal. Information on the option evaluation methodology was clearly articulated and applied in a consistent and logical manner.

4.3. In particular we note the various studies that underpinned the option development and evaluation process, including the Remnant Life and Reliability, Availability, Maintainability

(RAM) studies. These have provided the necessary information required to develop a robust set of shortlisted options. The Front-End Engineering D Study is at a more advanced stage of development than would normally be the case at the point in the option selection process. This is a consequence of the particular history of this project and is not a concern.

4.4. The shortlisted options included a counterfactual 'do nothing' or Base Case option, against which all other shortlisted options were assessed. The decision is not whether or not asset health interventions are required, as this is a matter of compliance, but rather whether asset health interventions are sufficient to ensure the safe, reliable and compliant operation of the terminal beyond 2035. While continuing to meet the needs of network users, ensuring security supply and the efficient operation of wholesale markets in Great Britain and Europe. And if not what the appropriate site redevelopment option should be.

4.5. We note that the shortlist of options does not include a market-based solution. Constraint management payments are the commercial alternative to the provision of exit and entry capacity services. However, as there is no indication of a material difference in operational capability between the shortlisted options, the inclusion of constraint costs would not have altered the relative performance of the options. The results of the option selection process do not warrant revisiting the analysis on this occasion, but we discourage this approach in future submissions.

4.6. Our assessment is that the option selection process gave due consideration to the implications of repurposing the terminal for Hydrogen (H₂) and Carbon Dioxide (CO₂), including upper concentration limits and cost implications.¹⁵

Our assessment of Cost Estimate

¹⁵ Bacton Terminal site redevelopment FOSR submission in February 2024 - Appendix F Hydrogen Statement.

4.7. Our assessment is that an appropriate methodology, for the purpose of option selection, has been used to estimate the cost of the shortlisted options. Once the Final Preferred Option has been determined more detailed cost estimation with a higher level of cost confidence will be necessary.

4.8. We do however question the assumption that the cost of asset health interventions prior to 2035 is the same for all short-listed options. We believe that should either of the new build Options 3a or 3b be followed then fewer asset health interventions would be justified in the pre-2035 period. For example, the assumed Cathodic Protection system intervention would be called into question.

4.9. We do not agree with the method used in Table 2 above for calculating the total cost of each shortlisted option as it does not discount future costs. This would not impact on the relative performance of the options assuming that costs prior to 2035 are the same irrespective of the option chosen. However, as we are not convinced by this assumption. We therefore re-ran the analysis using a discount equivalent to the RIIO-T2 Weighted Average Cost of Capital (real) for National Gas Transmission (2.81%).¹⁶ We also assumed that the post 2035 spend was spread evenly over the RIIO=T5 period (236-41). The output from this recalculation is set out in Table 5 below.

Capex 18/19 prices (£m)	2025-2035 (£m)	2035-2050 (£m)	Total
Option 1	█	█	█
Option 2	█	█	█
Option 3a	█	█	█
Option 3b	█	█	█

Table 5 –Present Value of Capital Expenditure Estimates

4.10. A sensitivity analysis demonstrated that asset health spending for Option 3a and 3b during the pre-2035 period would have to be 95% below that for Option 1 before the relative performance of the options changed. We do not consider this to be plausible.

¹⁶ This discount rate was used to identify Final Preferred Options Under Special Condition 3.11 Compressor Emissions.

Our assessment of Front-End Engineering Design Study Decision Matrix

4.11. Our assessment is that that an appropriate methodology was followed to identify and weight the assessment criteria included in Table 4 above. The marking scheme used was logical and applied consistently. We believe that it is appropriate to give weight to a broader set of criteria than simply just cost and that expert opinion should be used when other quantitative metrics are not available. We note that a number of both internal and external experts were involved and that each provided a score independently of others, before a single combined score was arrived at. We believe that this is a robust approach and should reduce the influence of individual bias in decision making.

Our Assessment of Project Risk Register and Project Programme¹⁷

4.12. Our assessment is that an appropriate Risk Register has been established and maintained. The majority of risks are routine for a project of this type, with acceptable mitigations proposed.

4.13. Our assessment is that an appropriate project programme has been developed for each of the shortlisted options.

Discussion

4.14. Based on our assessment of National Gas Transmission's Final Option Selection Report we propose to approve National Gas Transmission's Final Preferred Option - Option 1 Base Case Asset Health. In making our assessment we have not made a detailed assessment of the individual asset health interventions proposed for the period 2025-35. Such an assessment was not necessary for determining the Final Preferred Option. We will make this detailed

¹⁷ Bacton Terminal site redevelopment FOSR submission in February 2024 - Appendix A FEED Study

assessment once a Re-opener application under Special Condition 3.10.11 has been submitted. The Final Preferred Option does not prevent available rationalisation opportunities being realised when preparing the Re-opener application. Although the Final Preferred Option extends to 2035, it is unlikely that we would determine allowances beyond the end of the RIIO-T3 price control period.

4.15. We also note that the Front-End Engineering Design study is at a more advanced stage of development than would normally be the case at the point of determining the Final Preferred Option. Taking this into account and considering the timing of the available Re-opener application windows, we propose establishing by direction a new Re-opener window between 1 October 2024 and 31 October 2024. A proposed direction is set out in Appendix 1 of this document.

5. Proposed Final Preferred Option

Section summary

In this chapter we set our proposed decision in relation to National Gas Transmission's Final Option Selection Report

Questions

Question 5.1: Do respondents agree with our proposed Final Preferred Option?

Question 5.2: Do respondents agree with our proposed direction to establish a new Re-opener window?

Our Proposed Decision

5.1. Based on our assessment of the evidence included in the Final Option Selection Report submitted by National Gas Transmission in accordance with Special Condition 3.10.7, we propose to approve the option identified by National Gas Transmission as the Final Preferred Option which is Option 1 Base Case Asset Health.

5.2. We consider that Option 1 Base Case Asset Health includes the sufficient asset health interventions to meet the policy and regulatory objectives set out in our RIIO-2 Final Determinations.

5.3. Separately we propose to issue a direction under Special Condition 3.10.11 to establish a new Re-opener window between 1 October 2024 and 31 October 2024. The proposed direction is included in Appendix 1 of this document.

Appendix 1 – Proposed direction



Making a positive difference
for energy consumers

National Gas Transmission plc

Direct Dial: 0207 901 7000

Email: Graham.Craig@ofgem.gov.uk

Date: XX XXX 2024

Direction under Special Condition 3.10.11 of the gas transporter licence held by National Gas Transmission plc (the Licensee) to direct an additional re-opener application window in which the Licensee can apply for a direction amending the outputs, delivery dates or allowances in Appendix 2 of Special Condition 3.10

1. National Gas Transmission plc (the Licensee) is the holder of a gas transporter licence granted or treated as granted under section 7 of the Gas Act 1986.
2. Part D of Special Condition 3.10 (Bacton terminal site redevelopment Re-opener and Price Control Deliverable BTRt and BTREt) of the licence provides a mechanism, by which the Licensee must apply to the Authority for a direction amending the outputs, delivery dates or allowances in Appendix 2 of Special Condition 3.10.
3. The Licensee may only apply to the Authority¹⁸ for such a direction during the periods set out in Special Condition 3.10.11 or “*during such other periods as the Authority directs*”.
4. The reason for this direction is because the current application windows specified in Special Condition 3.10.11 between 11 September 2023 and 17 September

¹⁸ The terms “the Authority”, “we” and “us” are used interchangeably in this document.

2023, and our direction of 5 September 2022¹⁹ between 1 May 2025 and 31 August 2025 no longer facilitate the efficient delivery of the Bacton terminal site redevelopment project.

5. The Licensee has advised us that the Re-opener application is at an advanced stage of development and can be submitted earlier than previously expected. The efficient delivery of the Final Preferred Option will be facilitated by an early submission and determination of a Re-opener application under Special Condition 3.10.11.
6. Based on the above and pursuant to Special Condition 3.10.11, the Authority directs an additional Re-opener application window between 1 October 2024 and 31 October 2024 to enable the Licensee to apply to the Authority for a direction amending the outputs, delivery dates or allowances in Appendix 2 of Special Condition 3.10.
7. This decision constitutes notice of our reasons for the purposes of section 38A of the Gas Act 1986.

.....
Jourdan Edwards
Deputy Director
Duly authorised on behalf of the
Gas and Electricity Markets Authority

Appendix 2 – Privacy notice on consultations

¹⁹ [Direction issued by the Authority 5 September 2022](#)

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

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. We will not be sharing your personal data

5. Your personal data will be held for twelve months after the consultation has 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 3rd 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.

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.

10. More information for more information on how Ofgem processes your data, click on the link to our "[Ofgem privacy promise](#)".