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Price Control Ops – Small and Medium projects
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2nd October 2024

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Dear Evan and Eliska,

Wales & West Utilities Limited (WWU) - response to Ofgem's consultation on RIIO 2 re-opener applications draft determinations

Thank you for the opportunity to respond to this consultation. WWU is a gas transporter serving 2.5 million supply points in Wales and south-west England. This first part of this response is not confidential and may be published by Ofgem; however, the appendices are commercially confidential and must not be published, shared or in any way re-distributed, even in a redacted form. We do not have comments on the Electricity Transmission nor the Electricity Distribution draft determinations.

GD.Q1. Do you have any views on the draft directions contained in Appendix 1?

The values in the draft determinations will require amendment because some allowed projects are no longer required, and one disallowed claim on the grounds of uncertainty has been completed.

GD Q2 Do you agree with our assessment of applications under the Diversions and Loss of Development Claims Policy Re-opener and our Draft Determinations? Please include your views on our assessment of the needs case, optioneering and draft allowances.

We do not have any comments on draft determinations for the Cadent and SGN applications.

With respect to the WWU draft determination, our comments are as follows:

- 1) Ofgem propose a PCD for named diversion projects of £5.62M. Since submitting the original application in April 2024, the timelines of some of the Diversion projects have had to be amended due to the impacts of third parties, for example time required to obtain planning approvals from local planning authorities. This means that some

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projects may not be completed as initially anticipated by 31st March 2026. We are therefore requesting recognition that some of the spend allowed under this re-opener may be spent in the GD3 price control period. It is not possible to accurately forecast the split of spend between GD2 and GD3 at this time as this is dependent on external factors outside our control. There is precedent for this approach in the RIIO 2 Final Determinations ET annex paragraph 3.33, points 2 and 3¹ and with the treatment of Physical Security work that for which funding was granted in GD1 but completed in GD2. We will update Ofgem of any timing differences as part of the annual regulatory reporting pack and PCD reporting required.

- 2) Ofgem have disallowed two forecasted Loss of Development Claims worth £0.43M as the costs were not deemed to be certain. Since submitting the application, we have negotiated a settlement in the case of one of the schemes (Schedule M) for a value less than we applied for in our application. Details are provided in the confidential Appendix 1 and we request that this spend is now allowed.
- 3) With regard to the other claim (Schedule N), we would accept a PCD for the value in our application to protect customers from incurring costs in GD2 that are uncertain. The role of a PCD is to ensure that projects are delivered within GD2 for a given value. Ofgem have proposed a PCD for named diversion projects to protect customers from non-delivery – that is to protect customers from incurring costs in GD2 that are actually incurred in GD3. A PCD for this Loss of Development claim would also adequately protect consumers though in this case the cost uncertainty is more around the actual cost rather than when it would be incurred. We do not think that allowing a PCD for one sort of uncertainty whereas allowing it for another is reasonable and request that Ofgem reconsiders its position.
- 4) Ofgem propose an additional window for these two development claims (now reduced to one taking into the progress on the claim outlined in paragraph 3 above). Ofgem are able to direct a new window under SpC 3.20.5; however, this would not work without a change in the licence because the licence contains a threshold to trigger a reopener of £3.85M for WWU and this project would not reach that threshold. We would not be able to use an additional re-opener window and would therefore not be able to reclaim the cost. The additional window would only work if the threshold was set at zero; however, this would need a statutory consultation to change the licence as Ofgem does not have power to direct removal of the threshold from 3.20.7 (c) nor to change the definition of Materiality Threshold in the defined terms (which would then impact other re-openers). Ofgem’s proposal whilst achievable, would require more

¹ 3.33 For projects that cross over RIIO-ET2 and RIIO-ET3, we have decided to implement our Draft Determination proposal, with further clarification on specific mechanisms as follows:

- The generation and demand connection volume driver for connection projects delivering outputs in year 1 and year 2 of RIIO-ET3, as set out in more detail in Chapter 4
- Project-specific funding decisions through baseline or re-openers (such as MSIP or LOTI) for the whole project costs over the price controls
- Bridging allowance in the baseline to fund the RIIO-ET2 part of costs for projects already identified and assessed. This will be subject to true-up at either RIIO-T2 closeout or the setting of RIIO-T3

work than a simple direction of a new window and as set out in paragraph 2 above we request that Ofgem reconsiders its position on this one remaining, relatively small value, Loss of Development Claim.

GD.Q3. Do you agree with our Draft Determination of Cadent's application under the MOB's Safety Re-opener?

We have no comments.

GD.Q4. Do you agree with our assessment of applications under the New Large Load Connections Re-opener and our Draft Determinations? Please include your views on our assessment of the needs case, optioneering and draft allowances.

- 1) Since submitting this application, discussions with customers have meant that three projects are no longer proceeding, details are given in the confidential Appendix 2. We are therefore removing these projects, with a total value of £2,558k (18/19 prices) from our application.
- 2) As with the Diversion's reopener, since submitting the original application in April 2024, the timelines of some of the Diversion projects have had to be amended due to the impacts of third parties, for example planning approvals. This means that some projects may not be completed as initially anticipated by 31st March 2026. We are therefore requesting recognition that some of the spend allowed under this re-opener may be spent in the GD3 price control period. We will update Ofgem of any timing differences as part of the annual regulatory reporting pack and PCD reporting required.

Yours sincerely,



Richard Pomroy
Regulation Manager
Wales & West Utilities