

Consultation

Tier 1 Stubs Repex Policy Re-opener Draft Determinations

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Contact:	Catherine Warrilow
Team:	Price Control Operations – Small & Medium Sized Projects
Telephone:	020 7901 7452
Email:	ReopenerConsultations@ofgem.gov.uk

We¹ are consulting on two Tier 1 Stubs Repex Policy Re-opener submissions from SGN and Cadent. These were submitted under Special Condition (SpC) 3.18 during the 25-31st October 2023 and 25-31st March 2024 windows respectively. We would like views from people and organisations with an interest in gas distribution and transmission networks. We would also welcome responses from other stakeholders and the public.

This document outlines the scope, purpose and questions of the consultation and 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.

¹ The terms 'we', 'us', 'our' refer to the Gas and Electricity Markets Authority (the Authority). Ofgem operates under the direction and governance of the Authority.

Consultation – Tier 1 Stubs Repex Policy Re-opener Draft Determinations

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1. Introduction

Background

- 1.1 Network companies are natural monopolies. Effective regulation of privatised for-profit monopolies is essential to ensure they cannot unfairly exercise their monopoly power to the detriment of their customers. This is particularly important in the case of essential utilities, such as energy, where consumers have no choice on whether to pay what they are charged. It is therefore crucial that an effective regulator protects energy consumers by controlling how much network companies can charge their customers. Ofgem does this through periodic price controls that are designed to ensure network companies are properly incentivised to deliver the best possible outcomes for current and future energy consumers. This includes ensuring that consumers only pay for investments that are needed and do not overpay for those investments.
- 1.2 The current price control model is known as RIIO (Revenue = Incentives + Innovation + Outputs). RIIO-2 is the second price control under the RIIO model for electricity transmission, gas transmission and gas distribution, and runs from 1 April 2021 until 31 March 2026. It includes a range of Uncertainty Mechanisms (UMs) that allow us to assess applications for further funding during RIIO-2 as the need, cost or timing of proposed projects becomes clearer. This ensures that consumers fund projects only when there is clear evidence of benefit, and we have clarity on likely costs and cost efficiency. These mechanisms also ensure that the RIIO-2 price control has flexibility to adapt as the pathways to Net Zero become clearer.
- 1.3 Where possible, we have set automatic UMs, such as the Generation and Demand Connection Volume Drivers, which provide Electricity Transmission Owners with immediate funding when they are required to undertake new customer connection works. In other areas, where the degree of uncertainty is too great to allow for an automatic mechanism, we set 're-openers' which will allow us to assess proposals robustly once information with sufficient accuracy is made available.
- 1.4 **Table 1** provides the list of Gas Distribution (GD) sector network companies and the abbreviations we use when referring to them throughout this document.

Table 1: Regulated GD Network Companies

Sector	Company Group	Sector Group	Network	Network Short Name
GD	Cadent	Cadent	Cadent - East of England	EoE
GD	Cadent	Cadent	Cadent - London	Lon
GD	Cadent	Cadent	Cadent - North West	NW
GD	Cadent	Cadent	Cadent - West Midlands	WN
GD	Northern Gas Networks	Northern Gas Networks	Northern Gas Networks	NGN
GD	Scotia Gas Network	Scotia Gas Networks	Scotland Gas Network	Sc
GD	Scotia Gas Network	Scotia Gas Networks	Southern Gas Network	So
GD	Wales & West Utilities	Wales & West Utilities	Wales & West Utilities	WWU

Purpose of the re-opener mechanism

- 1.5 The Tier 1 Stubs Repex Policy Re-opener allows Gas Distribution Networks (GDNs) to recover costs for decommissioning Tier 1 Stubs during RIIO-GD2. Tier 1 Stubs are short lengths of Tier 1 iron mains attached to larger diameter parent mains.²
- 1.6 The Iron Mains Replacement Programme (IMRRP) is driven by the Health and Safety Executive (HSE) and originally required GDNs to intervene on all iron mains within 30 meters of buildings by either decommissioning them or replacing them with polyethylene (PE) pipes. The HSE has set a target of the end of 2032 for GDNs to complete the IMRRP.³
- 1.7 In 2012, the HSE and Ofgem undertook a mid-point review of the IMRRP which resulted in modification to the previous approach. Larger diameter pipes were now referred to as Tier 2⁴ and Tier 3 pipes and were therefore no longer time-bound for decommissioning prior to the 2032 deadline. It was decided that these pipes should be replaced as part of wider asset management decisions and be underpinned by efficient economic assessments, which would often mean larger

² [RIIO-2 Final Determinations for Transmission and Gas Distribution network companies and the Electricity System Operator | Ofgem](#) - GD annex page 142

³ [Enforcement Policy for the iron mains risk reduction programme 2021 - 2026 \(hse.gov.uk\)](#)

⁴ Tier 2A pipes are now mandated to be replaced under IMRRP. These are Tier 2 pipes that are between 8-18 inches in diameter and are above a risk-action threshold. This is a risk score for an individual main, agreed between HSE and each GDN individually, above which the GDN is expected to take appropriate action to make the pipe safe.

diameter mains would remain in service with no planned decommissioning dates.

- 1.8 A Tier 1 Stub is created in cases where a GDN removes a Tier 1 main, but leaves a short section connected to the larger diameter "Parent Main". When the time comes to decommission the Parent Main, the GDN needs to also remove any Stubs attached to it.
- 1.9 GDNs now have a population of Tier 1 Stubs within their networks that are mandated to be replaced by 2032 under the IMRRP.
- 1.10 Following a further study and risk assessment (carried out by consultancy firm DNV on behalf of the GDNs), the HSE decided that some Stubs (determined by length and other exemption parameters⁵) can be considered components of the Parent Main and therefore no longer fall into the current IMRRP. The exemption allows any Stub that meets the exemption length to be left in situ without further intervention. Only Stubs that fail to meet these exemption parameters require intervention.

What are we consulting on

- 1.11 We are consulting on our views of the needs case, optioneering and efficient costs put forward by SGN⁶ and Cadent⁷ as part of their re-opener submissions.

Context and related publications

- 1.12 This document is intended to be read alongside:
- RIIO-2 Final Determination (FD) – GD, SGN and Cadent annexes
 - SGN's SpC's⁸
 - Cadent's SpC's
 - RIIO-2 Re-opener Guidance and Application Requirements Document⁹.

⁵ Stub integrity varies with length, diameter and support. It was theorised that stress is reduced and therefore the overall Stub integrity is increased when 1) Stub diameter is increased and 2) Stub length is decreased. A Stub supported at both ends is generally under less stress than a Stub only supported at one end. Based on this theory, DNV produced tables containing recommended allowable lengths for each Stub diameter assuming the worst case for support and loading conditions. It is generally assumed that live Stubs are supported at both ends where capped Stubs are only supported at one end. Therefore, the recommended allowable length is shorter for a capped Stub compared to a live Stub.

⁶ [T1 Stubs SGN Final V1.2 Redacted.pdf](#)

⁷ [Tier 1 Stubs Re-opener Application Redacted \(cadentgas.com\)](#)

⁸ [Licences and licence conditions | Ofgem](#)

⁹ [Re-opener Guidance and Application Requirements Document: Version 3 | Ofgem](#)

Next steps

- 1.13 After considering all consultation responses, we will endeavour to conclude our assessment of SGN's and Cadent's re-opener applications with a decision in due course.
- 1.14 Under the Tier 1 Stubs Repex Policy Re-opener, directions are issued by Ofgem to set out any allowance adjustments. These allowances are adjusted by changing the value of the SpC 3.18 STUBt re-opener term within the licence and the Regulatory Years to which that adjustment relates. We have included a draft direction in Appendix 1 of this consultation which sets out our proposed direction. We will issue formal directions to set out any adjustments alongside our Final Determinations.
- 1.15 We propose to set Price Control Deliverables (PCDs) for some re-opener allowances which are set out in the chapters below. If we decide to implement these proposals, we will undergo the statutory modification process and consult on proposed licence modifications alongside our Final Determinations.

How to respond

- 1.16 We want to hear from anyone interested in this consultation. Please send your response to ReopenerConsultations@ofgem.gov.uk. The deadline for response is 5 December 2024.
- 1.17 We've asked for your feedback in each of the questions throughout. Please respond to each one as fully as you can.
- 1.18 We will publish non-confidential responses on our website at www.ofgem.gov.uk/consultations.

Your response, your data and confidentiality

- 1.19 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.
- 1.20 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.

- 1.21 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.
- 1.22 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

- 1.23 We believe that consultation is at the heart of good policy development. We welcome any comments about how we've 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?
 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. Choose the notify me button and enter your email address into the pop-up window and submit.

[ofgem.gov.uk/consultations](https://www.ofgem.gov.uk/consultations)

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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. Summary of our Draft Determinations

2.1 **Table 2** below summaries our Draft Determinations for applications received under the Tier 1 Stubs Repex Policy Re-opener. Chapters 3 and 4 discuss these in greater detail.

Table 2: Summary of our Tier 1 Stubs Repex Policy Re-opener Draft Determinations (£m, 18/19 prices)

Sector Group	Network	Re-opener cost request	Cost Adjustment	Allowances
Scotia Gas Network	Sc	0.65	-0.65	0.00
Scotia Gas Network	So	3.10	-3.10	0.00
Cadent	EoE	4.77	-1.07	3.70
Cadent	Lon	3.80	-1.06	2.74
Cadent	NW	7.65	-1.07	6.58
Cadent	WM	6.38	-1.07	5.31

3. Common considerations and decisions

Needs case assessment

- 3.1 As discussed in paragraph 1.6 above, SGN and Cadent are currently two thirds through the HSE-mandated IMRRP which began in 2002 and requires the decommissioning of iron pipes that are within 30 metres of buildings by the end of 2032.
- 3.2 SGN and Cadent also have a responsibility and a duty of care to maintain their pipeline networks in efficient working order, and are bound to this by law under the Health and Safety at Work Act 1974 as a Duty of Care and Regulation 13 of the Pipelines Safety Regulations (PSR, 1996).
- 3.3 We acknowledge that the Tier 1 Stubs decommissioning programme remains a mandatory deliverable under the IMRRP. We are therefore satisfied that both SGN's and Cadent's projects are within scope of the re-opener and are necessary under the IMRRP.

Optioneering assessment

- 3.4 Both SGN and Cadent have outlined a number of options within their applications to address Tier 1 Stubs remediations. We are satisfied that appropriate optioneering has been considered to address the needs case. Further detail on optioneering can be found in Appendix 2.

4. Cost Assessment

Question

- Q1. Do you agree with our assessment of applications under the Tier 1 Stubs Repex Policy Re-opener and our Draft Determinations? Please include your views on our assessment of the needs case, optioneering and draft allowances.
- Q2. Do you agree with our proposal to fund Cadent’s on-site assessment activities, given there is a variance in approach between licensees?
- Q3. Do you have any views on the draft directions contained in Appendix 1?

SGN

4.1 **Table 3** below highlights our Draft Determinations for SGN’s Tier 1 Stubs Repex Policy Re-opener.

Table 3: Summary of SGN’s request under the Tier 1 Stubs Repex Policy Re-opener and Ofgem’s Draft Determinations (£m, 18/19 prices)

Network	SGN re-opener costs	SGN baseline allowance ¹⁰	Ofgem adjustments	Ofgem assessed efficient costs
Scotland	1.81	-1.16	-0.65	0.00
Southern	5.63	-2.53	-3.10	0.00
Total	7.44	-3.69	-3.75	<u>0.00</u>

4.2 We are proposing to adjust SGN’s costs for the following:

- Unit costs.

These adjustments are explained below.

Unit costs

4.3 SGN has stated unit costs are £11,900 per Stub in the Scotland network and £25,000 per Stub in the Southern network within their re-opener application. At RIIO-2 Business Plan (BP) submission, SGN stated a unit cost of £7,885 per Stub for the Scotland network and £8,411 per Stub for the Southern network. We awarded baseline funding, £3.69m, approximately equivalent to the first two years of its proposed Stubs decommissioning programme which had a total of £8.7m¹¹ over RIIO-GD2.

¹⁰ [RIIO-2 Final Determinations – SGN Annex \(REVISED\) \(ofgem.gov.uk\)](#) – page 46, paragraph 3.52. At FDs, we awarded £1.16m and £2.53m for the Scotland and Southern networks respectively. SGN’s application states £1.2m and £2.4m were awarded for Scotland and Southern networks respectively. We have referenced our FD decision numbers in this document.

¹¹ [RIIO-2 Draft Determinations – SGN \(ofgem.gov.uk\)](#) – page 25, Table 21.

4.4 Our assessment has highlighted that the proposed volumes to be completed in RIIO-GD2 has reduced between BP submissions and this re-opener application. This is highlighted in **Table 4** below:

Table 4: Our analysis of allowances using unit costs (18/19 prices)

	Network	RIIO-GD2 volumes	Unit costs (£m)	Total (£m)
BPs	Scotland	345	7,885	2.72
	Southern	711	8,411	5.98
Baseline	Scotland	147	7,885	1.16
	Southern	300	8,411	2.53
Re-opener	Scotland	152	7,885	1.20
	Southern	225	8,411	1.89
Difference	Scotland	-193	-	+0.04
	Southern	-486	-	-0.64
			NET	<u>-0.60</u>

- 4.5 Using SGN’s unit costs at RIIO-2 BPs, we have calculated that the baseline allowance provided can cover 147 Stub remediations in the Scotland network and 300 in the Southern network. Both of these volumes are lower than what was proposed at RIIO-2 BPs.
- 4.6 We have used the RIIO-2 BPs unit costs to calculate the allowances required to cover what has been proposed in SGN’s re-opener application. This equates to £1.20m to action 152 Stubs in the Scotland network and £1.89m to action 225 Stubs in the Southern network.
- 4.7 Our analysis has therefore highlighted that SGN already has sufficient baseline allowance to remediate their proposed volumes over RIIO-GD2 with an additional £0.60m remaining. We therefore propose to award no additional funding under this re-opener application. We expect SGN to carry out the necessary Tier 1 Stubs remediations and comply fully with PSR and IMRRP obligations using their existing allowance.
- 4.8 We also note that other networks, who have also received baseline allowance, have not submitted a re-opener application and will carry out Tier 1 Stubs remediations using this existing allowance.

Cadent

4.9 Cadent had 3280 Stubs to be actioned in RIIO-GD2. Cadent has included an on-site assessment as part of its process to evaluate the condition of Stubs to determine if a Stub can remain in place rather than default to removal or remediation. Cadent has confirmed that this approach has been accepted by the HSE. 1,729 Stubs have been left in-situ following assessment, leaving 1,551 Stubs to be remediated. Cadent has requested £14.71m for these remediation costs, and £7.90m for on-site assessment costs (**Table 5**).

4.10 **Table 5** below highlights our Draft Determinations for Cadent’s Tier Stubs Repex Policy re-opener:

Table 5: Summary of Cadent’s request under the Tier 1 Stubs Repex Policy Re-opener and Ofgem’s Draft Determinations (£m, 18/19 prices)

Activity	Cadent re-opener costs	Ofgem adjustments	Ofgem assessed efficient costs
Stub remediations	14.71	-1.99	12.72
On-site assessments	7.90	-2.29	5.61
Total	22.61	-4.28	<u>18.33</u>

4.11 We are proposing to adjust Cadent’s costs for the following:

- Unit costs,
- Overhead rates.

These adjustments are explained below.

Unit costs for Stub remediations

4.12 We propose to reduce Cadent’s unit costs to be in line with what we awarded NGN at RIIO-2 FDs. NGN received a unit cost of £8,200 per Stub in its baseline allowance.¹² Cadent did not receive any baseline allowance. For Cadent’s 1,551 proposed Stub volume, we therefore propose an allowance of £12.72m. As per paragraph 4.3, SGN’s unit costs were £7,885 for the Scotland network and £8,411 for the Southern network, which averages at £8,148. We consider similar rates between the GDNs to be a fair approach and ensures consistency across the GDNs.

¹² [RIIO-2 Final Determinations – NGN Annex \(REVISED\) \(ofgem.gov.uk\)](#) – page 37, paragraph 3.53.

Overheads rates for on-site assessments

- 4.13 Cadent has included a 40% overheads rate within its cost request, which is made up of:
- 15% attributed overheads rate – covers costs directly related to Stubs work, such as project management, site supervision and work planning,
 - 25% allocated overheads rate – covers costs incurred within “back office” functions, which are split across all business activities.
- 4.14 We propose to reduce Cadent’s attributed overheads from 15% to 11% in line with our recent Draft Determinations for other RIIO-GD2 re-opener submissions submitted in 2024.¹³
- 4.15 We propose to disallow Cadent’s 25% allocated overheads rate. Cadent has indicated that allocated overheads relate to central business functions such as IT, HR and finance. These central business functions are funded through baseline allowances. While Cadent has explained how it allocates these central business function costs to its operational activities for accounting purposes, we have not seen sufficient evidence of a direct relationship between additional Tier 1 Stubs work and increases in these central business functions. We are therefore unable to award additional funding for allocated overheads costs.

PCDs

- 4.16 We propose the following PCDs to protect consumers from under-delivery:
- All RIIO-GD2 Stub remediations across all Cadent networks – 1,551 Stubs at £8,200 unit cost = £12.72m.
- 4.17 If our FDs confirm these proposals then, in line with the statutory processes, we will consult on proposed licence modifications. We will consider and consult on any reporting requirements and how assessment of delivery will be undertaken.

¹³ [RIIO-2 Re-opener Applications 2024 Draft Determinations – GD Annex \(ofgem.gov.uk\)](#) – page 22, paragraph 6.9.

Appendices

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Appendix 1 – Draft Direction

Introductory note

Following our assessment of re-opener submissions, we have set out our Draft Determinations. Any decision, for example to add additional allowances for a project, will be implemented into the Licensees' licence via a direction. This Appendix provides a draft of the direction that will implement our Final Determination, as required by Special Condition 3.18. Upon consultation, and proper consideration of consultation responses, we intend to confirm the direction at the same time as setting out our Final Determinations.

This draft direction is subject to responses to our Draft Determination. Any representations with respect to the Draft Determination or associated draft direction below must be made on or before 5 December 2024 to: Catherine Warrilow, Office of Gas and Electricity Markets, 10 S Colonnade, London, E14 4PU or by email to catherine.warrilow@ofgem.gov.uk.

Draft direction

To:

Cadent Gas Limited

Northern Gas Networks plc

Scotland Gas Networks plc

Southern Gas Networks plc

Wales and West Utilities Limited

Direction under Special Condition 3.18 of the Gas Transporter Licence held by the licensees listed above to add allowances for the Tier 1 Stubs Repex Policy Re-opener.

- A1.1 Each of the licensees to whom this document is addressed is the holder of a licence granted or treated as granted under section 7 of the Gas Act 1986 ('the Act').
- A1.2 Special Condition 3.18 provides re-opener mechanisms by which the Licensee may seek additional funding during the RIIO-2 price control period for Tier 1 Stubs Repex activities.
- A1.3 The Licensees applied under Special Condition 3.18 in October 2023 or March 2024. The Authority publicly consulted on its Draft Determinations between 7

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November 2024 and 5 December 2024. This document included a draft of this direction, as required by Part D of Special Condition 3.18.

A1.4 We received [x] responses and have placed all non-confidential responses on our website. Having considered those responses, we have decided to proceed with making this direction.

A1.5 This direction is issued pursuant to Special Condition 3.18 and sets out approved funding, adjustments to the value of the STUBt term and the regulatory years to which that adjustment relates. These are set out in Annex 1.

A1.6 This direction will take effect immediately. This Direction constitutes notice stating the reasons for the decision for the purposes of section 38A of the Act.

Yours sincerely,

[Name]

[Title]

For and on behalf of the Authority

Annex 1: SpC 3.18 Tier 1 Stubs Repex Policy Re-opener STUBt

Approved amounts:

- SGN [£0m]
- Cadent [£18.33m]

Distribution Network/Regulatory Year	2021/22 (£m)	2022/23 (£m)	2023/24 (£m)	2024/25 (£m)	2025/26 (£m)	Total (£m)
EoE	0.35	0.95	0.50	0.95	0.95	3.70
Lon	0.02	0.40	0.91	0.91	0.50	2.74
NW	1.07	1.07	1.14	1.65	1.65	6.58
WM	0.12	0.50	0.73	1.98	1.98	5.31
Northern Gas Networks plc	0.00	0.00	0.00	0.00	0.00	0.00
Scotland Gas Networks plc	0.00	0.00	0.00	0.00	0.00	0.00
Southern Gas Networks plc	0.00	0.00	0.00	0.00	0.00	0.00
Wales and West Utilities plc	0.00	0.00	0.00	0.00	0.00	0.00

Appendix 2 – Optioneering

SGN

A2.1 SGN has provided detail on remediation options available for a range of pipe materials and types. This covers iron, cast/spun iron, ductile iron and whether the pipe is live or capped. Intervention types include:

- i) Cut out Stub from parent main
- ii) Use innovation techniques: live service isolator (abandonment of small diameter pipes), Sealback (insertion in large diameter pipes), Eseal (abandonment in larger diameter pipes)
- iii) Cut Stub back to within exemption length
- iv) Apply composite carbon fibre wrapping over Stub

A2.2 In some instances, SGN claims that it requires specialist services from third party suppliers, Steve Vick Industries (SVI) and Team inc., to conduct remediation techniques and that these services provide a greater range of techniques, allowing SGN to select the most cost-efficient method for remediation. These are available through their framework contracts and are part of the current process.

A2.3 SGN highlights that it has several contracting options to deliver this project work, in addition to delaying the workload into the next price control. It has also outlined positives and negatives to each approach and its preferred solution for both Southern and Scotland network delivery:

- i) Use direct labour teams and employ a specialist contractor when required – existing teams already have the competence to deliver majority of the workload. However, these teams are already fully deployed. Re-deploying could lead to delays and additional charges.
- ii) Offer out to tender within a 'Major works' contract a category for Stub end replacement (preferred option, Southern Network) – allows SGN to fix costs with up-front rates, removes competing workloads from Tier 1 framework contracts, ensure delivery over longer planning horizon and provide capacity to deal with additional Stubs workload. However, it will take time to set up new framework and provide contractor training.
- iii) Deploy existing Tier 1 framework contractors (preferred option, Scotland Network) – allow SGN to fix costs with up-front rates,

ensure delivery over longer planning horizon. However, this could introduce conflict in Tier 1 programme delivery.

- iv) Offer out to tender a 'turnkey' contract where the full financial risk is with the contractor – remove project delivery uncertainty for consumers, ensure delivery over longer planning horizon. However, this option would likely cost more with built in risk-cost into contract.
- v) Utilise Dynamic Purchasing system (DPS) – flexible approach, could provide solutions for complex jobs and use spare market capacity. However, jobs could come at higher unit cost, lack of visibility and could lead to resourcing issues and risk of potential non-delivery. Likely only suitable for lower work volumes.
- vi) Delay programme until the next regulatory period – short term cost reduction and reduced burden on market. However, could lead to higher failure number and short notice interventions leading to consumer disruption. The IMRRP may not be delivered and may see higher unit costs due to market stress under tight delivery timescales.

A2.4 SGN has highlighted contractor market constraints in its Southern network which has impacted their preferred option choice, as current framework contracts do not have the resource capacity or skill set to accommodate the increased Tier 1 Stubs workloads. It is therefore SGN's preferred option to include this work within its major works contract. SGN will also deploy its DPS for high complexity Stubs where they cannot apply contract rates; removing these high-cost jobs will also allow for a lower level of risk being needed as part of major works contract agreements.

A2.5 SGN has confirmed that the Scotland network is not facing the same contractor constraints as the Southern network, and therefore the preferred option for Scotland is to utilise Tier 1 framework contractors. SGN claims that there is sufficient capacity within the contract to undertake the additional workload within GD2 and into the next regulatory period. The DPS process will also be used for high complexity Stubs.

Cadent

A2.6 In order to determine if a Stub can be left in situ, all Tier 1 Stubs are subject to a desktop assessment to assess current and future Stub risk. If the Stub passes this risk assessment there is then an onsite condition assessment, which is carried out when the pipe is exposed during excavation. Assessments and calculations are performed to determine strength of pipe and corrosion rates. If

the Stub meets the required standard, is it deemed compliant and can remain in situ. Cadent recognises this approach is more efficient when compared to blanket removal of all Stubs.

A2.7 Cadent has identified four options to address Tier 1 Stubs remediations:

- i) Remove all Stubs – rejected as not considered to be the most efficient approach. Increases the scope of work and likely to result in higher costs compared to determining remediations based on condition assessments
- ii) Combine Stub removal with Tier 2 or 3 parent main removal – although could streamline operations by combining tasks, postponing Stub removal until scheduled mains replacements could introduce safety risks. Tier 2B and 3 mains replacement also deemed non-mandatory during IMRRP review.
- iii) Remove only Stubs demonstrated to be in poor condition (*preferred*) meet obligations to keep the network safe and reliable, Stub removals are only carried out when necessary which Cadent states aligns with their commitment to safety and operational efficiency.
- iv) Do nothing – does not comply with the HSE and IMRRP requirements. Postponing would save costs in the short term but could create the need for increased delivery within tight timescales in future, which could lead to consumer disruption and increased costs.

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

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

We will not share your personal data with third parties.

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 six months after the project 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](#)".