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Guidance

RIIO-GT2 Gas Transmission Price Control – Regulatory Instructions and Guidance: version 2.4

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Overview:

This document provides instructions and guidance to the gas transmission owner and gas system operator - National Gas Transmission plc (NGT) - to enable it to complete the reporting requirements associated with the RIIO-GT2 price control from 1 April 2021 to 31 March 2026.

This document is aimed at those responsible for completing the annual Regulatory Reporting Pack (RRP) data templates and want to know general and specific guidance for reporting data. It explains the scope of the data templates, what to consider when completing them and where to find more information.

Contents

Foreword

This document contains the gas transmission price control cost, outputs and financial Regulatory Instructions and Guidance (RIGs). This guidance applies to reporting during the RIIO-GT2 period from 1 April 2021 until 31 March 2026.

The purpose of this document is to provide a framework to allow Ofgem to collect accurate and consistent cost, volume, allowed expenditure and output delivery information from National Gas Transmission plc (NGT). The framework also enables NGT to complete the reporting requirements associated with updating various variable values and performance data in the Price Control Financial Model (PCFM) during the Annual Iteration Process (AIP), which in turn drives Allowed Revenue for the forthcoming Regulatory Year.

A number of licence conditions require NGT to provide us with this information. The main licence condition for the purposes of this document is Standard Condition A40: Regulatory Instructions and Guidance.

The template has been designed to be consistent with the RIIO-GT2 Final Determinations and will enable Ofgem to collect the information it needs to assess NGT's performance.

1. Introduction

This chapter sets out the purpose and structure of the RIGs which will apply to NGT for RIIO-2. It also sets out guidance on the process for reporting under the RIGs and our audit requirements.

Background

1.1. RIIO-GT2 is the second price control to be conducted under the RIIO (Revenue = Incentives + Innovation + Outputs) model. RIIO-2 is the regulatory framework to apply to electricity and gas transmission companies and gas distribution networks from 1 April 2021 to 31 March 2026.

1.2. As part of Ofgems regulatory oversight of network companies we collect a wide variety of both qualitative and quantitative information.

1.3. The Regulatory Instructions and Guidance (RIGs) provide a framework which enables Ofgem to collect data from NGT during the RIIO-GT2 period. We collect data to enable us to administer the Special Conditions of NGT's license (the conditions which relate to the price control) and our price control Final Determinations for NGT. For example, the RIGs allow us to monitor NGT's performance against the outputs it is required to deliver, calculate any rewards or penalties associated with incentive mechanisms, and to determine adjustments to allowances determined within period, i.e. costs determined through uncertainty mechanisms.

1.4. The RIGs inform NGT about the information we plan to collect, guide them on how to provide this information and enable NGT to put systems in place to collect the data to the level of detail we require.

1.5. The RIGs framework also allows Ofgem to collect data on provisional total expenditure (Totex)[1] for use in the Annual Iteration Process and provides a database of licensee performance upon which Ofgem may draw to set cost proposals at subsequent price reviews.

[11] Totex is provisional as it may be adjusted as a result of subsequent efficiency reviews or for the correction of any errors either after the 31 July or in subsequent years.

1.6. For RIIO-GT2, there is no longer a separate Revenue Workbook (GT2 Revenue workbook) as the revenue elements of reporting have moved into the C&V RRP and RIIO-GT2 Price Control Financial Model (PCFM). For guidance on the completion of the Revenue worksheets in section 4, please see Chapter 4 of this document and Chapter 4 of the PCFM Guidance..

Legal Framework

1.7. For RIIO-GT2 the reporting requirements have been consolidated in a single new licence condition: Standard Special Condition A40: Regulatory Instructions and Guidance ('the RIGs Licence Condition').

1.8. The RIGs Licence Condition sets out the scope and governance arrangements for the RIGs.

1.9. These instructions do not change any definitions or obligations contained within the gas transmission license and in the event of any conflict, the licence conditions will take precedence.

Components of the RIGs

Overall Structure

1.10. The RIGs comprise a set of templates (in MS Office Excel format) for reporting data. They are one element of the wider suite of information provided to Ofgem on an annual basis to enable effective monitoring of NGT's performance against the outputs it is funded to deliver as part of the RIIO-GT2 settlement. It also allows comparison against previous years submitted actual and forecast expenditure.

1.11. Other elements include instructions and guidance on how to complete the associated worksheets and report the data (this document)

RIGs templates

1.12. The data templates have been designed to act as a means of recording the basis of the RIIO-GT2 price control Final Determinations. Their content has built on the learning from the Regulatory Instructions and Guidance (RIGs) used to monitor the regulatory settlement

throughout the RIIO-GT1 period and the reporting requirements developed as part of the RIIO-GT2 Business Plan submission.

1.13. The information provided by NGT though the RRP will be subject to annual review and confirmation by Ofgem.

1.14. The key points to note in completing the RIGs templates are:

- The Licensee must take all reasonable steps to ensure the quality of its RIGs data. Quality data will in all material respects be accurate, complete and fairly presented.
- The Licensee must notify Ofgem of the possibility of any significant revisions to improve data quality. This notification must be issued to Ofgem as soon as it becomes evident to the Licensee that a reasonable likelihood exists of significant inaccuracies in any of its previously submitted data.
- Workbooks in these RIGs may link to other workbooks. These links must be retained by NGT in the version submitted to Ofgem. Failure to do so will be considered non-compliant with the RIGs.
- The RIGs tables are colour coded to reflect the action required (excluding revenue tables).
    - Yellow cells represent input fields
    - Grey cells denote imported values
    - Blue cells contain calculations or formulae
    - Light grey hatched cells are used where cells do not need to be completed.
- Unless otherwise stated, all financial values should be input in 2018/19 prices. Therefore data submitted in each year of RIIO-2 should be stated in 2018/19 prices.
- THE GT2 PCFM works in a constant 2018/19 price base except in respect of some calculations internal to the model that use nominal prices, eg. Tax and legacy calculations. Values that feed into the PCFM are therefore to be stated in or converted to 18/19 prices.
- Unless otherwise indicated in the guidance document or templates, actual financial values should be provided in £ million to a minimum of three decimal places, and displayed at one decimal place with financial values reconciling to the audited regulatory accounts. However, NGT is required to provide all actual financial data to the highest reasonable level of accuracy available from their source systems, and commensurate with the purpose for which such data is intended, taking into consideration the appropriate allocations that are necessary to complete the tables.
- Workload units and outputs should be reported at the highest level of accuracy from the source systems and commensurate with the purpose for which such data is

intended taking into consideration the appropriate allocations that are necessary to complete the tables. Unless stated in the licence or elsewhere in this document. Workload and outputs should be entered in the unit of measurement set out in this guidance or in the template

- Unless otherwise indicated in the guidance or templates financial values should be input as positive values.
- Where a reportable value is zero or not applicable to NGG then a zero must be input rather than the cell being left blank.

Instructions and guidance

1.15. The purpose of this document is to provide instructions and guidance to enable NGT to complete the associated workbooks. This document provides information on:

- the systems, processes, procedures, recording and provision of the required data
- reporting units
- levels of accuracy (including rounding)
- the methodology for calculating or deriving required numbers
- the provision of the data to Ofgem (format, frequency etc)
- any audit or examiner requirements
- reasons for the data requirement
- a glossary of terms used in the workbooks
- provision of forecast data.

1.16. NGT is require to provide forecast expenditure profiles, where applicable, for all years of the RIIO-GT2 price control. Forecast represent NGT's best view using best endeavours to take account of all relevant internal and external factors.

Provision of Indirect Cost Allocation Methodology

1.17. NGT must provide its methodology for allocating indirect costs as part of its reporting for and subsequently inform Ofgem of any changes to this methodology annually.

Commentary

1.18. Alongside the submission of its templates, NGT must complete a commentary. A strategic commentary is required in order to:

- provide an executive summary, focussing attention on distilling key messages on the drivers of performance and presenting clear strategic insights at the reporting point in the price control period.
- give Ofgem an understanding of the key drivers of business performance in terms of expenditure, workload and outputs, including reference to the materiality of each driver.
- Provide a summary of the key outputs that NGT has delivered during the year and set them in the context of the delivery of the overall RIIO-GT2 price control output package.
- provide a summary explanation of the forecast, including outputs, secondary deliverables, costs and workload.
- provide an understanding of material variances against previous year's actuals, forecasts and against the opening baseline allowances established by the RIIO-GT2 Final Determinations and any subsequent adjustments.
- inform Ofgem of any organisational changes / performance improvements, including modification/enhancements to allocation methodology and/or data capture e.g. systems.

Reporting under the GT RIGs

Timescales for reporting

1.19. The reporting year for the provision of information under the RIGs is from 1 April to 31 March in the following calendar year. The excel templates for reporting on summary costs, workload and outputs should include forecasts for each of the remaining years of the RIIO-GT2 price control period where instructed.

1.20. Except where otherwise stated, NGT must provide the information required on an annual basis. The information is required under the RIGs as soon as reasonably practicable and in any event not later than 31 July following the end of the reporting year to which the information relates (unless Ofgem has previously consented to a request received from NGT in writing to follow alternative submissions timescales).

Resubmissions

1.21. NGT is required to seek the agreement of Ofgem or a person nominated by Ofgem before resubmitting any information provided in accordance with these RIGs.

1.22. In any such instance the report concerned must be resubmitted in full (unless agreed otherwise). The resubmission must only be accompanied by a letter signed by a director where significant changes have been made and where Ofgem and/or NGT decide such a letter is required. The volume of supporting information the licensee will be required to submit to support any resubmission will be dependent on the nature of any required resubmission.

1.23. For each resubmission a detailed explanation must be provided in the changes log in the RIGs, listing every cell that has been amended. The explanation must include sufficient commentary to explain the reasons for the resubmission.

1.24. In relation to the detailed return required as part of revenue reporting, this must only be resubmitted where a restatement is necessary in the opinion of the appropriate auditor.

Review

1.25. Once NGT has submitted the information to Ofgem, Ofgem or a person nominated by it ('a reviewer') will undertake a detailed review of the information. A review may include a visit to NGT for discussion of the information submitted. Such visits will be agreed with the licensee in advance.

1.26. Where a reviewer has been nominated, the reviewer will enter into an agreement with NGT to maintain confidentiality on reasonable terms.

Appointing an examiner

1.27. In accordance with the RIGs Licence Condition, NGT must permit a person nominated by the Ofgem to examine:

- the systems, processes and procedures for measuring the specified information
- the specified information collected by the licensee
- the extent to which the systems, process and procedures and the specified information complies with the RIGs.
- Any further information relevant to the RRP submission

Audit requirements in relation to revenue reporting

1.28. In accordance with the RIGs Licence Condition, Ofgem will identify the specified information which is to be subject to audit, the terms on which an auditor is to be appointed by the licensee for that purpose and the nature of the audit to be carried out by that person.

We will issue an Agreed Upon Audit Procedures (AUAP) for use by an appropriate auditor by 31 March of the year of submission.

Publication and sharing of templates

1.29. It is a requirement for NGT to publish an annual report on its company website. The report should be published by 30 September following the end of the regulatory reporting year. The report should cover the following as a minimum:

- Executive Summary
- Revenue Impact - actual revenue v allowances for reporting year
- Incentive – performance in the year against targets with potential future highlights
- Innovation – summary of innovation projects and
- Outputs - performance in the year against targets, outputs forecast to be delivered during the price control period and how these levels vary from the previous years submission
- Costs –
    - performance in the year against targets for costs and workload where relevant, highlights of future performance, and expected outturn at the end of the price control.
    - uncertainties (including Load related) – a high-level commentary in relation to anticipated impact(s) of any uncertainty mechanism and how this has evolved from the expectations at the time of drafting the Business Plan. Comment on how these have affected forecast capex and output delivery.

1.30. Where possible, the narrative will provide a high-level summary of the five year estimate of the totex under-/over-spend across the RIIO-GT2 period.

1.31. Additional appendices can be used to provide further detail on specific performance areas including the effect that this has had on reporting. Examples include:

- a deeper explanation of any missed, delayed or deferred outputs
- providing an overview of action being taken to mitigate any perceived delivery risks
- an explanation of changes in data reporting methodologies, disaggregation of costs or organisational structure

1.32. Tables that should be published with / in the report are:

- Totex, actuals against allowances and forecast
- Cost category (eg. Load, Non-load, Non-operational Capex, Indirect and Network operating opex and other costs) against allowances and forecast.
- Outputs including customer and stakeholder satisfaction, incremental capacity and gas constraints.

1.33. Ofgem may publish any further information contained in the templates, but will notify NGT in advance of any intention to do so and will make any necessary redactions.

Structure of this document

1.34. This document is divided into sections reflecting the different component parts of the RIGs workbooks. These are as follows:

- Chapter 2 provides general instructions and guidance for completing the interface worksheets.
- Chapter 3 provides instructions for completion totex worksheets.
- Chapter 4 provides instructions for completion of the revenue and interface worksheets.
- Chapter 5 provides instructions for the completion of the operating expenditure worksheets.
- Chapter 6 provides instructions for the completion of the capital expenditure worksheets.
- Chapter 7 provides instructions for the completion of the gas network data worksheets.
- Chapter 8 provides instructions for the completion of the outputs worksheets.
- Chapter 9 provides instructions for the completion of gas system operator worksheets.

Context & Related Publications

1.35. The following list contains related publications which readers may find useful.

Associated Documents

- RIIO-2 sector specific methodology consultation, 18 December 2018
- https://www.ofgem.gov.uk/publications-and-updates/riio-2-sector-specific-methodology-consultation
- RIIO2 sector specific methodology decision, 24 May 2019

- https://www.ofgem.gov.uk/publications-and-updates/riio-2-sector-specific-methodology-decision
- RIIO-2 Draft Determinations for Transmission, Gas Distribution and Electricity System Operator
- https://www.ofgem.gov.uk/publications/riio-2-draft-determinations-transmission-gas-distribution-and-electricity-system-operator
- RIIO-2 Final Determinations for Transmission and Gas Distribution network companies
- and the Electricity System Operator
- https://www.ofgem.gov.uk/publications/riio-2-final-determinations-transmission-and-gas-distribution-network-companies-and-electricity-system-operator
- RIIO-2 Informal licence drafting consultation for Transmission, Gas Distribution and Electricity System Operator licences
- https://www.ofgem.gov.uk/publications/riio-2-informal-licence-drafting-consultation-transmission-gas-distribution-and-electricity-system-operator-licences
- Decision on the proposed modifications to the RIIO-2 Transmission, Gas Distribution and Electricity System Operator licence conditions
- https://www.ofgem.gov.uk/publications/decision-proposed-modifications-riio-2-transmission-gas-distribution-and-electricity-system-operator-licence-conditions
- RIIO-GT2 PCFM Guidance
- https://www.ofgem.gov.uk/publications/riio-2-pcfm-guidance

Publication

1.36. Ofgem is bound by the requirements of section 1005 of the utilities act 2000 relating to the disclosure of information.

1.37. Ofgem recognises the value of improving transparency of information in regulating natural monopolies and we intend to continue to review to what extent to publish further disaggregated data and analysis alongside the RIGs submissions.

Your feedback

1.38. We are keen to receive your comments about this guidance. We'd also like to get your answers to these questions:

1. Do you have any comments about the overall quality of this guidance?
2. Do you have any comments about its tone and content?
3. Was it easy to read and understand?

4. Any further comments?

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

2. General instructions

Section summary

The purpose of this chapter is to provide general instructions for completing the cost and volume data template(s) worksheets by NGT. This is to enable Ofgem to effectively monitor the performance of the company in relation to the allowances set as part of RIIO-GT2 Final Determinations and against previous year's submitted actuals and forecast. Ofgem will use this information to assist in the annual assessment of the RRP submissions for RIIO-GT2.

Introduction

2.1. The data templates are a series of tables in MS Excel workbooks. The purpose of the worksheets is to facilitate the submission of uniform and comparable financial and output information from NGT. This enables comparison with the baseline settlement at Final Determinations and against prior years performance through RIIO-GT2. This will enable comparative regulation on a consistent basis throughout the RIIO-GT2 period. The workbooks support and are designed to be consistent with the RIIO-GT2 Final Determinations.

2.2. The workbook has been designed to have single data entry where possible in order to avoid duplication and to facilitate reconciliations and balance checks. NGT should complete the template in full, unless instructed otherwise in the specific table guidance. If information is incomplete NGT must provide a clear explanation why this is the case.

Overview

Accounting policies

2.3. All costs are to be entered on a cash basis. Cash means exclusive of provisions, accruals, and prepayments that are not incurred as part of the ordinary level of business. NGT should use the same accounting policies as in the preparation of the regulatory financial statements, in accordance with UK GAAP or IFRS unless otherwise stated.

2.4. In the event that the accounting policies applied to prepare the template differ from those used in the regulatory financial statements (for some or all years) NGT must include appropriate details including quantification of the difference.

Structure of the template

2.5. The template has a common structure, comprising an initial series of tabs dealing with procedural issues (contents tables, log of changes etc) followed by the main data input sections.

2.6. The RRP template has been separated into the following sections:

- **Administration Tables:** These worksheets include administrative data required for the pack including lists, price conversion and change log.
- **Interface tables:** These worksheets take information from the pack and are used for input to other models such as the revenue worksheets which feed the PCFM and NARM. These worksheets are coloured yellow.
- **Totex Summary Tables:** These worksheets provide summaries of allowances and actual totex consistent with RIIO-2 Final Determinations, including forecast Totex and PCD status. Worksheets are coloured dark blue.
- **Revenue Tables:** These worksheets take information from the finance interface and perform calculations necessary for input to the PCFM. Where input can be sourced within the pack these cells are linked to the interface tables, otherwise they remain direct input by the Licensee. These worksheets are coloured light blue.
- **Opex Tables:** These worksheets allow NGT to populate costs and corresponding volumes of workload where appropriate in areas of opex spend. This is split by network operating costs and indirect operating costs. Worksheets are coloured dark green.
- **Capex Tables:** These tables allow NGT to report on large capex projects and expenditure and workload delivering its asset health programme. Both Load and non-load capex is recorded as well as other non-operational capex. Worksheets are coloured light orange.
- **Asset Tables:** The worksheets allow NGT provide data on the status of the network, including asset data and condition as well as gas flows through the system. Worksheets are coloured grey.
- **Outputs and other policy tables:** The worksheets allow NGT to populate information on various policy outputs including customer and stakeholder satisfaction, environmental objectives, innovation constraints and future re-openers. Worksheets are coloured light blue.

- **Gas System Operator (GSO) tables:** The worksheets allow NGT to populate data on GSO related outputs and incentives. Worksheets are coloured light green.

2.7. As the templates are a series of MS Excel workbooks, links and formulae have been included to limit, where possible, the amount of manual data entry required. NGT must not change any formulae or formats (including insertion of deletion of rows or columns, moving any cells, or altering any text, figures, or formulae in any cells not shaded yellow) without instruction from Ofgem first. If a change is necessary (to correct an error, for example), Ofgem will notify NGT of the correction to be made.

2.8. Certain cells require positive entries whereas others require negative entries. Unless specified in the individual table instructions the following rules apply:

- Costs and volumes to be entered as positive values
- Contributions (customer or otherwise) are to be entered as negative values
- Cost recoveries are to be entered as negative values

2.9. The RIGs require the reporting of actual and forecast costs for RIIO-GT2. Actuals up until the current reporting year are require for all tables, The guidance for each individual table indicates the extent to which forecasts are required and whether it should be populated with forecasts to the end of RIIO-2 or a rolling forecast into future price control periods.

Definitions

2.10. Detailed definitions are included in the specific instructions for the tables unless they affect more than one table. NGT must ensure that the definitions are clearly understood and are complied with when entering any data into the template. Where there is doubt or uncertainty, please refer to Ofgem for clarification.

Use of Estimates and Allocations

2.11. Where a licensee (and any affiliate or related undertaking of NGT) has apportioned costs to complete the tables, the basis of apportionment must be provided. Changes in apportionment should also be highlighted and explained.

Additional information

2.12. If NGT considers any additional information beyond that requested is necessary to develop a complete understanding of the information presented in the tables then such information should be included in the narrative.

Template errors

2.13. Where errors in a worksheet are identified then Ofgem should be notified as soon as possible. Ofgem will make the necessary corrections, log them in the change log and notify NGT.

Re-Openers

2.14. In relation to re-openers, where licensees expect their application to be successful and report forecast expenditure, licensees should also ensure they report the corresponding forecast allowance. Please refer to the PCFM Guidance[2] for re-openers.

Interface worksheets

2.15. There are a number of interface worksheets which exist to allow data that is common to other parts of the price control to be collated and linked where necessary. The purpose and instructions for each are outlined below.

Table 2.1 Revenue Interface

Purpose and use by Ofgem
The purpose of this worksheet is to provide a single interface point to gather the required inputs for the revenue worksheets where these exist in the cost and outputs pack.
Instructions for completion
These sheets are linked to the relevant costs throughout the pack and collated on the one sheets for transparency, there is no input requirement for this sheet.
Specific definitions for this worksheet
None

Table 2.2 NARM Interface

[2] Please refer to the latest published version of the PCFM guidance. This guidance is due to be included in the RIIO-GT2 RIGs and will be consulted on in due course.

Purpose and use by Ofgem
This table is required to provide a summary of the capex expenditure that is linked to NARM outputs.
Instructions for completion
This table draws upon data from elsewhere in the pack, there are no input requirements for this sheet.
Specific definitions for this worksheet
None

3. Instructions for completing the totex worksheets

Section summary

This chapter is provides guidance to NGT on the Totex worksheets. These worksheets aggregate the actual cost data provided in the rest of the pack in a manner consistent with the RIIO-GT2 Final Determinations. The also provide a snapshot of allowances allow NGT to provide cost forecast to the end of RIIO-2.

Introduction

3.1. The purpose of the worksheets in this area is to summarise the cost information at various levels of granularity to enable Ofgem to understand NGTs performance against allowances. These tables are summary sheets, aggregating data populated elsewhere in the template. The only input required is in the Totex forecast worksheet.

Overview of worksheets

3.2. The worksheets included in this chapter are:

- 3.1 Transmission Owner totex
- 3.2 System Operator totex
- 3.3 Allowances
- 3.4 Totex summary
- 3.5 Forecast Totex
- 3.6 PCDs

Specific Instructions

Table 3.1 & 3.2 – Transmission Owner & System Operator Totex

Purpose and use by Ofgem
The purpose of this table is to provide a summary of NGTs actual Totex on a basis consistent with the allocation of allowances at Final Determinations.
Instructions for completion
This table is linked to other worksheets and there is no input requirement.
Specific definitions for this worksheet
None

Table 3.3 – Allowances

Purpose and use by Ofgem
The purpose of this table is to provide a summary of NGTs allowances as allocated at Final Determinations.
Instructions for completion
This table is pre-populated and there is no input requirement. As allowances are adjusted through re-openers, Ofgem will update the values in the relevant cells.
Specific definitions for this worksheet
None

Table 3.4 – Totex summary

Purpose and use by Ofgem
The purpose of this table is to provide a high level summary of NGTs actual Totex at the cost category level.
Instructions for completion
This table is linked to other worksheets and there is no input requirement.
Specific definitions for this worksheet
None

Table 3.5 – Forecast summary

Purpose and use by Ofgem
The purpose of this table is for NGT to provide a forecast of its costs to the end of the price control period. This will allow Ofgem to understand the likely position relative to allowances at the end of RIIO-2 and provide the necessary forecast inputs for the PCFM.
Instructions for completion
NGT should input forecast costs to the end of RIIO-2 for each cost category listed. Where these forecast are captured elsewhere in the pack the cells are linked.
Specific definitions for this worksheet
None

Table 3.6 – PCDs

Purpose and use by Ofgem
The purpose of this worksheets is for Ofgem to understand the costs incurred and current delivery status of NGT's PCD's

Instructions for completion
NGT should select the relevant delivery status below: • Not Yet Commenced • On Track - No Major Issues • Medium Risks Identified • High Risks Identified • Completed and comment risk relating to the the delivery of the PCD. The actual costs are reported elsewhere in the pack and are linked therefore do not require input.
Specific definitions for this worksheet
None

4. Instructions for completing the Revenue worksheets

Section summary

This chapter is provides guidance to NGT on the Revenue worksheets. These worksheets form the basis of the required inputs to the Price Control Financial Model (PCFM) which is used to determine company revenues at each annual iteration process (AIP).

Introduction

4.1. The sheets in this section are all linked to the revenue interface and hold the necessary formulas to derive the required input terms for the PCFM.

4.2. For guidance in completing the worksheets listed below please refer to the latest PCFM guidance.

Overview of worksheets

4.3. The worksheets included in this chapter are:

- 4.1 TO PCFM input summary
- 4.2 SO PCFM input summary
- 4.3 Transmission Owner PCDs
- 4.4 System Operator PCDs
- 4.5 Transmisson Owner Re-openers
- 4.6 System Operator Re-openers
- 4.7 Transmission Owner pass through
- 4.8 System Operator pass through
- 4.9 Transmission Owner Opex Escalator
- 4.10 TO Output delivery incentives
- 4.11 TO Other revenue allowances
- 4.12 SO Other revenue allowances
- 4.13 TO tax pools Totex allocation
- 4.14 SO tax pools Totex allocation
- 4.15 DRS Revenue
- 4.16 - TO Recovered Rev
- 4.17 - SO Recovered Rev

Tables 4.1 – 4.18 Revenue worksheets

Purpose and use by Ofgem
These tables contain the necessary algebra as outlined in the license to convert the cost, output or incentive data provided by NGT in the RRP into the required inputs to the PCFM
Instructions for completion

Inputs are linked in these tables where the data is contained within the Cost and outputs RRP via the Revenue interface (tab 2.1).
Licensees are still required to input directly to the following tables:
• 4.4.3 Transmission Owner PCDs
• 4.4 System Operator PCDs
• 4.5 Transmisison Owner Re-openers
• 4.6 System Operator Re-openers
• 4.7 TO PT
• 4.8 SO PT
• 4.11 TO Other revenue allowances
  ○ *Strategic Innovation Fund only*
• 4.12 SO Other revenue allowances
  ○ *Variation to the constraint management target, net residual balancing costs and non traded carbon prices only*
• 4.13 TO tax pools Totex allocation
• 4.14 SO tax pools Totex allocation
• 4.16 - TO Recovered Rev
• 4.17 - SO Recovered Rev
 	
Where further guidance is required in completing the worksheets listed above please refer to the latest PCFM guidance.
 	
4.15 DRS Revenue
 	
The purpose of this table is to collect information relating to all Directly Remunerated Services and De Minimis revenues, according to the categories set out in Part C of Special Condition 9.7 (Services treated as Directly Remunerated Services).

Revenues should be input as positive values for each applicable category of DRS for the reporting period in question. Licensees may forecast their DRS revenues although there is no requirement to include a forecast.
Specific definitions for this worksheet
None

5. Instructions for completing the operational expenditure worksheets

Section summary

The purpose of this chapter is to provide instructions for completing the operational expenditure worksheets. This is to enable Ofgem to effectively monitor the performance in relation to the allowances set as part of Final Determinations and against previous year's submitted actuals and forecast.

Introduction

5.1. The purpose of the worksheets in this section are to capture information on opex costs on a basis consistent with how allowances were allocated as part of RIIO-GT2 Final Determinations. Certain large and significant areas of cost are broken down into greater detail so that Ofgem can understand the movements more easily. Separate sheets are provided for the TO and SO costs.

5.2. All costs are to be entered on a cash controllable basis (see Definitions). Cash controllable means exclusive of all provisions and all accruals and prepayments that are not incurred as part of the ordinary level of business.

Overview of worksheets

5.3. The worksheets included in this chapter are:

- 5.1 Transmission Owner indirects
- 5.2 System Operator indirects
- 5.3 Transmission Owner direct opex
- 5.4 System Operator direct opex
- 5.5 Cost movements
- 5.6 Quarry & Loss
- 5.7 Physical Security Opex
- 5.8 Provisions
- 5.9 Allocation of business support costs
- 5.10 Full Time Equivalent

Specific Instructions

Table 5.1 & 5.2 – Transmission Owner and System Operator indirects

Purpose and use by Ofgem
The purpose of this table is to provide a breakdown of cash controllable costs into activities within business support and closely associated indirect costs. The table is broken down by net costs and gross costs. The table also collects costs outside of Totex including non - controllable costs to .
Instructions for completion
Cost data is to be input on a cash controllable cost basis. Costs should be input as positive values. Closely associated indirect costs and business support costs should be input gross and net of capitalisation Business support costs are drawn from table 5.9 business support allocations The capitalised element is the difference between tables net and gross costs. This table represents the business support and closely associated indirect costs capitalised and is automatically populated. SO costs should be reported separately from TO costs. Pension scheme admin and PPF levy cost are now included as part of Totex and should be reporting as part of this table. Pass through costs should also be recorded in this table. For the Transmission Owner, any related party transactions disallowed should entered in the appropriate cells, these should be entered as positive values. Whether a related party transaction is disallowed is defined in appendix 2.
Specific definitions for this worksheet
Closely associated indirects
Operational IT and Telecoms IT equipment which is used exclusively in the real time management of network assets, but which does not form part of those network assets
Project Management Project Management from authorisation through preparation, construction and energisation to completion.

Includes: Overall responsibility for major project delivery. Determining resource requirements. Planning and requisitioning materials & equipment. Liaising with procurement for non-standard materials as required. Work and resource programming. Risk assessments of the overall project content. Preparation of work instructions. Issue of work to own staff and contractors. On-site supervision and technical guidance. Quality checks on work undertaken. Organising network access and co-ordination of outages. Organising and supervising (where appropriate) the undertaking of commission tests. Issuing completion certificates. Arranging energisation of assets. Cost control. Excludes: Any IT or property costs associated with Project Management. Any employees managing other indirect activities. Any design work relating to new connections new or replacement assets Further clarification on direct and indirect costs is provided in the guidance for table 6.1.
<u>Network Design and Engineering</u> All processes and tasks involved in the: Strategic planning of the network. Detailed engineering design of new connections, extensions and changes to the network. Includes: Strategic planning of the network – Relates to the tasks associated with the network in totality rather than individual projects. Includes: Maintenance of network design data models. Development of long term development statements. Capital planning for business plans and budgets. Network wide demand forecasting. Network Modelling

Strategic planning of the network in respect of new connections, load related network reinforcement and all aspects of the "non-load new and replacement asset installation" activity. Demand Connections – Relates to the tasks associated with the project specific network design and engineering of Demand Connections projects and enquiries. Other Network Investment – Relates to the tasks associated with the project specific network design and engineering of all other aspects of Network Investment projects. Network Design and Engineering excludes: The surveying, patrolling or inspection of system assets to collect condition information. Any IT or property costs associated with network design & engineering.
<u>System Mapping</u> The activity of mapping of the network and operational premises of the network to geographical locations. Includes: Updating the geographical system maps with asset and locational information following the installation, removal or repositioning of system assets. The updating of Geographic Systems (GIS) records following Ordnance Survey mapping rebasing upgrades. Responding to the New Roads and Street Works Act NRSWA notices sent to the Company by other parties. Ordnance survey licence fees. Excludes: Clerical support and admin associated with New Roads and Street Works Act (NRSWA). updating the network control diagram onsite collection of asset and locational information where this task is undertaken with the installation of the asset which is part of the associated direct activity: IT & Property costs associated with System Mapping activity
<u>Engineering Management and Clerical Support</u> The office-based activities of engineering and clerical support staff (ie depot clerical staff, managers, work planners, etc) managing or assisting employees undertaking direct activities and Wayleave Administration. Includes:

- Strategic Network Plan Development and implementation:
  - Managing the delivery organisational structure to achieve the long and short term company goals.
  - Agreeing resource requirements (own employees, contractors, finances and outcome targets).
  - Managing the allocation and transmission of delivery resources to achieve plans.
  - Managing key corporate policies and standards for investment/ service delivery.
  - Leading the management team for service delivery.
  - Monitoring the achievement of plans.
  - Overseeing the management of teams with responsibility for service delivery.
- Identification and implementation of improvement initiatives:
  - Redesign of business processes
  - Customer service improvements
- Work Planning, Budgeting, Allocation and Control:
  - Monitoring delivery of major works
  - Monitoring fault activity.
  - Monitoring budgets of Inspections and maintenance, faults and major works.
  - Setting and agreeing performance targets, monitoring actual performance.
  - Reporting and analysis of Key Performance Indicators ("KPIs").
- Line management of staff undertaking direct activity work:
  - Standards of performance, disciplinary and sickness absence procedures.
  - Monitoring absence, back-to-work-interviews and welfare visits.
  - Establishing day to day work plans.
  - Managing the allocation tasks to achieve the delivery of operational and capital plans.
  - Scheduling and monitoring the achievement of work jobs.
  - Managing budget.
  - Ensuring work activity adheres to company technical and health & safety requirements.
- Operational Performance Management:
  - Health and Safety checks on work and personnel
  - Compliance checks on staff and contractors work carried out
  - Site safety inspections
  - Providing safety advise to cable contractors and others (to help prevent damage)

    - Investigation, report and corrective action following an accident or environmental incident
    - Authorisation of team members for operational and non operational duties
    - Operational safely checks
- Providing safety advice to persons working in proximity to network assets.
- Streetworks admin: Customer Funded:
    - Processing of NRSWA notifications.
    - Processing the payment of notification penalties (but not the cost of the penalties).
    - Processing permit applications (but not the costs of the permits).
    - Processing the payment of permit penalties (but not the cost of the penalties).
    - Processing payment of inspection penalties (but not the costs of the penalties.
    - Liaising with local authorities.
    - Liaising with contractors and direct labour force to undertake remedial works following inspections (but not the cost of the remedial works).
    - Processing of congestion charges payments (but not the cost of the payments).
    - Processing of lane rentals payments (but not the cost of the payments).
    - Processing of overstay fines (but not the cost of the fines).
    - Updating the Street Gazetteer.
- Wayleave Payments:
    - Annual payments made in advance to the owner and/or occupier to cover the financial impact of having equipment on their land.
- Wayleaves and Easements/Servitudes: Admin Costs:
    - Obtaining, managing and administering Wayleave, substation rents, easements and servitudes.
    - Negotiating new Wayleaves.
    - Managing Wayleave terminations.
    - Administration of existing Wayleaves including the preparation of payments.
    - Negotiation conversions from Wayleave arrangements to permanent easement/ Servitudes, substation rents and Wayleave payments.
- Clerical Support:
    - Updating support asset inventory databases following asset commissioning and decommissioning.
    - Updating support asset condition data following inspection and maintenance.

- Dealing with verbal and written enquires for new connections, or faults.
- Programming of minor works.
- Issuing of work instructions.
- Preparation of quotations for minor works.
- Sending quotations to customers.
- Customer liaison.
- Liaising with contractors.
- Preparing plans, schematics, notices, materials schedules and work instructions.
- Preparing shutdown notices.
- Environmental notifications.
- Clerical support for staff answering verbal and written enquiries regarding faults, liaising with contractors and other stakeholders.

Excludes:

- Any Employees managing indirect activities (eg logistics manager) (include under the relevant indirect activity heading).
- Design work relating to new connections new or replacement assets.
- Responding to NRSWA notices sent to the Company by other parties (include under Systems Mapping).
- Any employees engaged in maintaining the financial asset register.
- Idle, down and sick time of direct field staff (include with their normal direct time in the appropriate direct activity).
- IT or property costs associated with Engineering Management & Clerical Support.
- Apprentices undertaking classroom training (include under Operational training and workforce renewal)
- Time of employees attending training (include as labour costs under the relevant activity).
- Training courses and training centre costs for staff relating to working on system assets (include under operational training and workforce renewal).
- Engineering and health and safety training, courses for staff involved in indirect activities (include under operational training and workforce renewal).

Updating of underground cable and overhead line asset data bases (include under System Mapping).

Updating financial asset register (Finance & regulation).

Compliance checks on staff and contractors' work carried out.

Site safety inspections.

Investigation, report and corrective action following an accident or environmental incident.

Authorisation of team members for operational and non-operational duties.
Operational field safety checks.
Time of employees attending training (include as labour cost under the relevant activity of that employee).
Purchase of equipment (include under non-operational capex).
Training, courses and training centre costs for staff relating to working on system assets (include under operational training and workforce renewal).

Network Policy (incl. R&D)

All processes and tasks involved in the development and review of environmental, technical and engineering policies, and including research and development.
Includes:

- Evaluating the impact of changes in relevant legislation.
- Development, regular review and updating of asset risk management policies, such as:
- asset maintenance policy
- asset inspection policy
- technical standards and specifications team
- plant, equipment and component specifications
- vegetation management policy
- asset replacement policy
- network design and protection policy.
- Analysis and interpretation of asset condition data.
- Development, regular review and updating of environmental policy.
- Research and development (including Fees paid to research and development organisations).

Excludes:

- Any of the IT or Property costs associated with Network Policy.
- Excludes IFI related research and development.

Health Safety and Environment

The activity of promoting and maintaining health and safety of employees, contractors, customers and the public.
Includes:

- Developing the company's overall health and safety policy.
- Establishing procedures to comply with best practice for health and safety.
- Maintenance of records to show compliance with Factory and Health and Safety at Work Acts.

- Providing advice on security matters both for property and personnel and provision of advice on fire prevention.

Excludes:

- Health & Safety checks on work and personnel such as:
    - compliance checks on staff and contractors' work carried out
    - site safety inspections
    - investigation, report and corrective action following an accident or environmental incident
    - authorisation of team members for operational and non-operational duties
    - operational field safety checks
    - time of employees attending training (include as labour cost under the relevant activity of that employee)
    - purchase of equipment (include under non-op capex)
    - training, courses and training centre costs for staff relating to working on system assets (include under operational training)
    - engineering and health and safety training, courses for staff involved in indirect activities (include under operational training).

Operational Training

The provision of training to Operational Staff employed by the Licensee or Related Party or Agency Staff to support the Direct Activities of the Licensee.

Includes operational training and graduate trainees and apprentices.

Includes training Workforce Renewal new recruit, Operational Upskilling and Operational Refresher Training.

Operational Upskilling - covers all training (whether classroom based or on-the-job) where employee's skill level is increased in order to undertake activities requiring a higher skill level or to undertake activities requiring a different skill set (eg multi-skilling or redeployment) or the undertake activities via more efficient / effective processes. (Does not cover, eg, routine operational refreshers, and safety briefings, non-operational training courses eg MS Excel, training for CPD purposes once qualified eg accountant).

Apprentices are engaged under approved apprentice's schemes. Trainees are employed under a formal training programme.

Includes:

- Classroom training.
- On the job training.
- Trainer and course material/running costs (classroom training).
- Training admin.
- Recruitment and external advertising costs for trainees/apprentices.
- Salaries of apprentices and trainees in full time continuous training up to the point they become fully engaged in operational activities.
- Costs of staff that organise and provide operational training and maintain employees training records.

Excludes:

- HSE costs (include under Health, Safety & Environment).
- IT & Property management costs associated with Ops Training and Training Centres (include under IT & Property costs respectively).

Stores and Logistics

The activity of managing and operating stores.

Includes:

- Delivery costs of materials or stock to stores.
- Labour and transport costs for the delivery of materials or stock from a centralised store to a satellite store/final location (and vice versa), taking into account the stock management policies.
- Monitoring stock levels.
- Quality testing of materials held in stores.

Excludes:

- Costs of oil or other insulation medium (report under the activity for which it is used, eg maintenance, faults.
- Any of the IT systems associated with stores/logistics (include under IT & Telecoms).
- Any property management and maintenance costs of depots/stores locations (include under property management).
- Vehicles and Transport - the activity of managing, operating and maintaining the commercial fleet and mobile plant (include under Vehicles and Transport).

Vehicles and Transport

The activity of managing, operating and maintaining the commercial fleet and mobile plant utilised by the Network or any other related party for the purposes of providing services to the Network.

Includes:

• Lease costs associated with the vehicle fleet and mobile plant. • Maintenance costs of the vehicle fleet and mobile plant, including mobile generation. • Cost of accident repairs to business' own vehicles whether covered by insurance or not and the cost recovery where recovered by insurance. • Fuel costs of the vehicle fleet and mobile plant. Excludes: • Direct field staff time spent on utilising the vehicles for a direct cost activity (include under direct cost activity). • IT & Property costs associated with vehicle management. • Purchases of vehicles, mobile plant and equipment (include under non-op capex). • Cost of providing company cars to employees which are benefits in kind (include as labour cost under the relevant activity of that employee.
Market Facilitation This covers the following activities: • Network code governance and development. • Proposing and managing industry code modifications. • Generation and demand forecasting. • Information provision to the industry. • Calculation and implementation of Transmission charges.

Network Planning
 	
This covers the following activities:
• Asset assurance and management of the asset registers.
• Business expert input into IT system development.
• Performance monitoring and improvement.
• Co-ordination and completion of benchmarking activities.
• Control Centre - Operational management and control of the network
  ○ Outage planning and management
  ○ Real time control and monitoring
  ○ Dispatch
  ○ Major incidents and emergency planning

Table 5.3 – Transmission Owner direct opex

Purpose and use by Ofgem

The purpose of this table is for Ofgem to understand the amount of cash controllable operating costs and associated activity volumes on fault repairs and planned inspections and maintenance, including the costs of operational property management.
Instructions for completion
Information should be provided for the following categories: • Fault Repairs • Planned Inspections & Maintenance • Operational Property This table is aligned to the asset health asset categories and for planned maintenance and inspections cost and workload volumes should be reported at the secondary sub category level and for faults the primary sub category level. If costs in the category 'other' exceed 10% of total costs in any regulatory reporting year Ofgem expect NGT to provided a detailed narrative for 'other' costs in each primary category and overall with suggestions on amendments to the reporting table to include meaningful reporting criteria that avoids or reduces the requirement for reporting in the 'other' cost category in future years. If it is the case that these costs are apportioned the cost categories listed NGT should provide the apportionment methodology used to arrive at the cost / workload split provided.
Specific definitions for this worksheet
Fault repairs Activity that is unplanned or undertaken in response to failure found during a planned maintenance activity or reported via the telemetry system, or unexpected behaviour of any part of the asset
Planned maintenance and inspections Any scheduled inspection either visual or invasive in line with both legislation and/or manufacturer recommendations. This including helicopter and foot patrols of pipelines, visual inspections of site fences etc.

Table 5.4 – System Operator direct opex

Purpose and use by Ofgem
The purpose of this table is for Ofgem to understand the operating costs incurred by NGT in operating the gas network system.
Instructions for completion

NGT should populate the costs associated with each of the categories as defined below. Costs should be populated on a gross cost basis. The head of GSO costs which include central management and strategy costs supporting all departments should be apportioned equally across each of the categories.
Specific definitions for this worksheet
Operational Delivery Managing operational strategy and risk response (short term). Responsible for network control/access, leads and coordinates emergency response.
Commercial & Incentives Managing commercial contracts and monitoring/developing incentive performance. This includes energy forecasting/balancing and managing shrinkage and emissions.
System Capability & Risk Ensuring NTS is fit for purpose and managing risk (long term). Responsible for network capability/modelling and design. Lead on liaising for external publications too.
National Control Ensure the continuous operation of the Gas infrastructure. Responsible for system delivery, supervisory control, data acquisition and simulation to ensure overall operational continuity.
Markets Monitoring market strategy and change, including relationship with the European Union (EU). This includes charging and revenue.
Xoserve Maintain the business' (MTB) costs from xoserve covering services provided including energy balancing (credit risk management), invoicing and Gemini services.

Table 5.5 – Year on year movement of opex costs

Purpose and use by Ofgem
The purpose of this table is for Ofgem to understand annual fluctuations in controllable opex costs and provides NGT the opportunity to explain the reasons for increases and

decreases in costs year on year of £0.5m or more (these are the net increases and decreases year on year in tables 3.1, 3.2, 3.3 & 3.4).
Instructions for completion
NGT should fill in the reasons for changes in costs in the boxes shaded in yellow, selecting the type of cost movement from the drop down. The table should be completed to clearly explain the year on year movements, additional explanations can be provided in the commentary if required. All exceptional items should be clearly identified. Reporting for the first year of RIIO-2 (2021/22) should be the difference between 2021/22 actuals and the final year of RIIO-1 (2020/21).
Specific definitions for this worksheet
None

Table 5.6 – Quarry and loss of development

Purpose and use by Ofgem
The purpose of this table is to collect details of costs relating to quarry and other loss of development claims.
Instructions for completion
NGT should provide actual costs and number of claims within each category as defined below.
Specific definitions for this worksheet
Loss of crop – annual Annual landowner payments for reduced crop yields due to the proximity of the NTS pipeline
Loss of crop – full and final settlement Single landowner payment to eliminate future liabilities in relation to compensation for reduced crop yields, land reinstatement and drainage
Drainage – investigation / repair Investigation / repair of drainage issues relating to NTS pipeline
Loss of development The loss of commercial or residential development opportunities due to the proximity of the NTS.
Sterilised minerals

The loss of mineral extraction opportunities due to the proximity of the NTS.

Costs (Quarry & Loss):

The cost of all claims settled in the year (irrespective of whether they have been provided for).

Workload (Quarry & Loss)

The number of all claims settled in the year.

Workload (memo)

The cost and number of new claims provided for in the year.

Table 5.7 – Physical security opex

Purpose and use by Ofgem
The purpose of this table is to inform Ofgem of the opex spent on physical security in relation to BEIS's enhanced physical security upgrade programme (PSUP).
Instructions for completion
For security reasons companies should provide overall number of sites in this table rather than listing site names. NGT will report its annual PSUP opex expenditure for both owned and shared sites. These costs should include any operational costs, including labour, associated with the PSUP programme. In the 'Workload' section input the number of PSUP sites, both owned and shared, that have incurred PSUP opex costs in each year. This table specifically excludes funding associated with the provision of Ministry of Defence Armed Guards. See definition for 'security (armed guards)'.
Specific definitions for this worksheet
Owned Site

A site owned NGT and incurs physical security opex costs
Shared Site A site owned by a third party but also contain NGT assets and NGT incurs physical security opex costs

Table 5.8 – Provisions

Purpose and use by Ofgem
The purpose of this table is to collect details of the provisions that have affected the results so that Ofgem can understand any significant events happening in the year.
Instructions for completion
Data should be input as required in the yellow shaded cells. Costs should be input as positive or negative values as appropriate. SO costs should be reported separately from TO costs where appropriate. Provisions are those defined under standard accounting terminology
Specific definitions for this worksheet
None

Table 5.9 – Business support allocation

Purpose and use by Ofgem
The purpose of this table is to provide the allocation of Group net and gross cash controllable costs for business support that are charged to the UK regulated network businesses (and to non-regulated entities where appropriate).
Instructions for completion
This table should outline the allocation for each of the following categories: • IT & telecoms • Property Management • HR & non operational training • Finance audit and regulation • Insurance • Procurement • CEO & group management
Specific definitions for this worksheet
IT & Telecoms

Provision of IT services for the day to day service delivery.

Includes:

- The purchase, development, installation and maintenance of non-operational computer and telecommunications systems and applications.
- Provision of IT services for the day to day service delivery and includes the cost of Help Desk, data centres, IT application development, maintenance and support; establishing and maintaining IS infrastructure projects (IT Network Provision, Network Maintenance, Servers support/services).
- Voice and data telecoms (e.g. WAN, landline rental and call charges, ISDN data and costs/rental of mobiles except where costs are charged directly to user departments).
- Developing new software for non-operational IT assets including the costs of maintaining an internal software development resource or contracting external software developers. This will include any cost of software licences to use the product where those costs cover more than one year.
- Installing new or upgrading software, other than where it is. This does not include upgrading of software that is included within the costs of annual maintenance contracts for the software.
- Maintenance and all the operating costs of the IT infrastructure and management costs and Applications cost. This includes any annual fee for the maintenance of software licences, whether or not they include the right for standard upgrades or 'patches' to the software as they become available.
- IT applications maintenance and running costs.
- IT new applications software and upgrade costs.
- Voice and data telecoms (e.g. WAN, landline rental and call charges, ISDN data. includes costs/rental of mobiles except where costs are charged directly to user departments).

Excludes:

- IT equipment which is used exclusively in the management of network assets but which does not form part of those network assets.

Any of the property costs associated with IT & Telecoms (include under Property Management), except where the cost of specific IT environmental control systems can be distinguished from other property costs.

Property Management

The activity of managing, providing and maintaining non-operational premises, i.e. premises used by people such as stores, offices and depots. This should include costs such as rent, rates (business), and utilities costs including electricity, gas and water, maintenance/repair costs of premises and also should include the provision of the facilities / property services such as reception, security, access, catering, and mailroom, cleaning and booking conferences. The costs of property surveyors should also be included here.

Includes:

- Stores, depots, offices (including training centre buildings & grounds).
- Rent paid on non-operational premises.
- Rates and taxes payable on non-operational premises.
- Utilities including electricity, gas and water (supply and sewerage).
- Inspection and maintenance costs of non-operational premises.
- Facilities management costs including security and reception.

• Training centre buildings & grounds. • Control rooms and data centres. Excludes: • Any costs relating to operational property (i.e. premises which contain network assets and are not maintained for accommodating people e.g. Substations, Boiler Stations, Holder Stations, Compressor Stations, Governor House etc (include under operational property). • Any IT systems associated with property management (include under IT & Telecoms). • Depreciation and profit/loss on Fixed Assets Relocation costs to or from non-operational premises. Network rates.
HR & non-operational training

HR & non-operational training

This would include provisions of the HR function i.e. the full range of professional activity for an individual's career path from recruitment to retirement and post retirement where applicable, e.g. management and administration of pension payments (NB PPF scheme administration costs are excluded) and from related professional advice to directly resolving grievances for staff.

Includes:

- Costs of payroll and pension's management and operation.
- Facilitating staff performance, development and reviews.
- Industrial and employee relations including HR strategy, policies and procedures.
- Monitoring equal employment opportunities.
- HR advice to management, succession planning and also retentions and rewards.

Excludes:

- Pension Scheme Administration and PPF levy costs
- Pension deficit repair payments relating to the „established deficit" and for the avoidance of doubt, all unfunded early retirement deficiency costs (ERDC) post 1 April 2004

Non-Operational Training

Facilitating and operating training courses of a non-technical nature for office-based staff.

Includes

- Staff who organise and provide non-operational training and maintain employees training records.
- Cost of running the non-operational training costs e.g. course fees.
- Leadership development training.

Excludes:

- Any operational training costs
- Non-operational costs associated with formal training and apprentice programmes (included under operational training)
- Time of employees attending training (include as labour costs under the relevant activity for non-operational).
- HSE costs (include under Closely Associated Indirect costs).
- IT systems associated with HR & Payroll (include under IT & Telecoms).

IT & Property management costs associated with Non-Ops Training (include under IT & Property costs respectively).

<u>Finance, audit & regulation</u>

Performing the statutory, regulatory and internal management cost and performance reporting requirements and customary financial and regulatory compliance activities for the network. Includes: • Process of payments and receipts. • Time sheet evaluation where not part of the payroll process. • Financial & risk management - e.g. credit & exposure management. • Financial planning, forecasting & strategy. • Financial accounting. • Management accounting. • Investment accounting. • Treasury management. • Transportation income accounting. • Pricing. • Statutory & regulatory reporting. • Tax compliance & management. • Internal audit & management of the relationship with external audit function. • External audit fees. • Cost of regulatory department. Excludes: • Insurance costs (include under Insurance). Any of the IT systems associated with finance, audit and regulation (include under IT & Telecoms).
Insurance Support and expertise to develop the business risk profile, managing the claims process and provision of information and understanding to the business in relation to insurable and uninsurable risks. Includes • Insurance premiums • Insurance premium tax • Insurance contract negotiating and monitoring • Insurance claim processing • Insurance risk management • Payments relating to uninsured claims • Costs of in house insurance team Brokers fees
Procurement Responsible for the procurement of goods & services in the support of the business operations, through the management of procurement contracts with suppliers. Includes: • The cost of carrying out market analysis. • Identifying potential suppliers, undertaking background review, negotiating contracts, purchase order fulfilment & monitoring supplier performance. • Setting up and maintaining vendor accounts within the accounting system, and maintaining e-procurement channels. • Setting procurement guidelines and monitor adherence to the guidelines.

Excludes:

- Any of the IT systems associated with procurement (include under IT & Telecoms).
- Stores & Logistics - The activity of managing and operating stores (include under Closely Associated Indirect Costs for transmission and record in separate stores and logistics category in table 3.1).

Vehicles and Transport - the activity of managing, operating and maintaining the commercial fleet and mobile plant (include under Closely Associated Indirect Costs).

CEO & group management

Includes:

- Communications - communication within the UK businesses, internal communications, external communications, media relations, issues management, regional communications, community relations, community awareness, branding, events management
- Group Strategy- function has the responsibility of evaluating the strategic options of the Group.
- Legal / Risk and Compliance/ Company Secretary - legal department, the management corporate governance for all companies to ensure they comply with legislation, regulations and best practice.
- Corporate Responsibility and investor relations - corporate responsibility and interaction with institutional equity investors and market analysts, management of rating agencies also advertising, charity and sponsorship arrangements.
- Board Members and Other – staff and other costs of Board members and other corporate costs not fitting into other categories.
- Non-executive & group directors' labour costs (where they are not carrying out specific departmental duties) and Board meeting costs.

Excludes:

- Insurance management.
- Legal advice relating to way leaves/servitudes/easements.

Group costs relating to specific activities e.g. HR, Finance, Audit, Regulation, Taxation, HSE, Insurance, etc (include under the specific cost category).

Table 5.10 – Full Time Equivalent (Transmission Operator only)

Purpose and use by Ofgem
This table collects details regarding Full Time Equivalent (FTE) staff numbers split between price control and non-price control activities for Transmission Operator only.
Instructions for completion
Enter the average net FTE staff numbers for the above activities broken down into the following categories: ○ NGT own Employee FTE ○ NGT Contract Labour FTE*

*For external contract FTEs calculation, reasonable assumptions should be made on the labour element of the contract value to derive a proxy staff cost. This can be divided by average staff cost per grade to arrive at an estimated FTE number.

Note that FTEs exclude allocations for overtime, for example

- Employee doing full time hours = 1 FTE
- Employee doing 80% hours = 0.8 FTE
- Employee doing full time hours and 20% overtime = 1 FTE

6. Instructions for completing the Capital expenditure worksheets

Section summary

The purpose of this chapter is to provide guidance on the competion of the capital expenditure worksheets. This is to enable Ofgem to effectively monitor the performance against allowances and outputs set at Final Determinations.

Introduction

6.1. The purpose of the worksheets in this area is to report capital expenditure (capex) information at various levels of granularity to enable Ofgem to fully understand capex trends and performance across major projects as well as the wider asset management programme.

6.2. NGT should submit accurate and (where instructed) audited figures of their costs for the relevant period. Further guidance is provided below.

6.3. All costs are to be entered on a cash controllable basis (see Glossary) and exclusive of atypical items except where specifically instructed to report data. Cash controllable means exclusive of all provisions and all accruals and prepayments that are not incurred as part of the ordinary level of business.

Overview of worksheets

6.4. The worksheets included in this chapter are:

- 6.1 Capex summary
- 6.2 Specific capex projects
- 6.3 Asset health by intervention
- 6.4 Asset health by project
- 6.5 Decommissioning of redundant assets
- 6.6 Physical security capex
- 6.7 Transmission Owner non-operational capex
- 6.8 System Operator non-operational capex
- 6.9 Resilience
- 6.10 Vehicles

Specific Instructions

Table 6.1 – Capex summary

Purpose and use by Ofgem
The purpose of this table is to provide a summary of all load and non load related capex expenditure incurred on projects or bundles of work for which there are specific allowances and capture cost data for any additional projects undertaken on the network.
Instructions for completion
General Where there is funding for specific projects for delivery in RIIO-2 these are listed and NGT should populate the actual costs up to and including the current reporting year, and forecast costs to completion in the yellow input cells. Where identified separate input rows have been provided for costs associated with projects carried over from RIIO-1 for which there are no associated RIIO-2 allowances for transparency. Where any additional work or projects are undertaken there are additional input cells provided under each cost category for NGT to input this cost data. The cost split for direct and indirect activities should also be reporting in line with the definitions below. These should be stated as the cumulative costs for the entire project and reconcile to the total project costs reported on an annual basis in columns AD to AJ. **Linked tables** Where there is more detailed reporting of these projects or programmes of work in other tables, the data is linked to these tables to ensure consistency, NGT should record the projects and costs in the relevant tables in line with the corresponding guidance and the data in this table will be updated automatically. **Baseline/Uncertainty mechanism** There are separate sections within the table to report baseline and uncertainty mechanism costs. It is recognised that some single projects or bundles of work may straddle both, however it is necessary to distinguish between the two as both are subject to differing capitalisation rates within the PCFM. Where NGT has been required to make assumptions or develop a methodology to apportion costs across these cost pools it should provide either narrative on how it has done this or further details elsewhere within its regulatory submission to support its rationale used to arrive at its apportionment. **Customer contributions** Any customer contributions should be reported in the relevant section. These should be entered as negative values and NGT should populate the projects or work bundle to which the contributions relate

Other Information

A line has been included for Peterborough and Huntingdon GT1 carry over, under other non-load related expenditure, to allow NGT to record the costs incurred in RIIO-2 to bring these projects to completion.

Specific definitions for this worksheet

Direct costs

Those activities which involve physical contact with gas transmission network assets.
Includes:

- Labour cost of staff whose work involves physical contact with system assets. This can include the element of labour costs associated with trench excavation staff, craftsmen, technicians, technical engineers, administration and support staff, safety inspection, critical infrastructure inspection and environmental control, network planners and designers where a portion of their time involves physical contact with system assets, however only that portion spent on direct activities may be included. It will include downtime of staff (including but not limited to: idle, sick, non-operational training); applicable labour cost should follow their normal time allocations.
- Operational engineers working on commissioning of assets, physically changing protection settings, issuing safety documentation or liaising with the control centre are considered direct activities.
- The cost of contractors being the total charges invoiced by external contractors for the primary purpose of performing direct activities.
- The cost of materials drawn from stores or purchased and delivered to site for use in performing direct activities. In addition, this includes the cost of the materials for refurbishing system assets.
- Servitude and easement payments to enable the direct activity to be performed. This does not include the cost of management or administration of these.
- Related Party Margins charged by a Related Party for work performed on direct activities.

Indirect costs

Activities listed below, which in most cases support work being physically carried out on gas transmission network assets, that could not, on their own, be classed as a direct network activity. Indirect Activities do not involve physical contact with system assets, whereas direct activities do.
Includes:

- Closely Associated Indirects (see definition below)
- Business Support Costs (see definition below)
- Non-Operational Capex

Note that operational engineers working on planning and project mobilisation, preparing and planning associated with protection settings, administration of outages, contract specification and liaising with contractors and customers are considered Indirect activities.

Closely Associated Indirects

includes the activities of:

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

Business Support Costs

includes the activities of:

- HR
- Non-Operational Training
- Finance & Regulation
- Insurance
- Procurement
- CEO etc.
- IT & Telecoms (Business Support)
- Property Management (Business Support).

Table 6.2 – Specific capex projects

Purpose and use by Ofgem
The purpose of this table is to allow NGT to provide Ofgem a cost breakdown for specific projects for which it has been funded. This is to assist with monitoring of output delivery and the setting of future cost allowances.

Instructions for completion
General For each of the projects listed: • Costs should be reported against the categories shown and in line with the definitions provided below. • If additional costs are incurred outwith the categories listed NGT should enter additional categories additional fields provided. In doing so it should provide additional. • Reporting of costs in the risk and contingency category is expected to apply to forecast costs only, if actual costs are reporting under this category NGT should provide an explanation in the narrarive. **Cost reporting** Ofgem expect full project costs to be reported comprising actual costs incurred up to and including the current reporing year, including costs incurred prior to RIIO-2 as well as forecast costs to completion, including and costs forecast beyond RIIO-2 to complete the project. If NGT update any historical costs between one regulatory report and another, for example due to time lags in project cost reporting or cost reallocation this should be highlighted and the reasons articulated. **Baseline / Uncertainty mechanism** Please refer to instructions for table 6.1 (Capex summary)
Specific definitions for this worksheet
Materials Bulk materials, including specified large purchases supplied by main works contractor. Includes purchase of long lead items sucha as compressor train.
Main works contractor Project constructions contractor costs.
Specialist services Costs for any additional services used to support the project. These could include sruveys, data procurement, land and easments.
Vendor package costs Costs of packages purchased for project.
Direct company costs

As defined in table 6.1 guidance.
Engineering design Costs for studies, FEED works and detailed design.
Project management Element of project costs attributed to project managementIe. Contractor project management. This does not include NGT's indirect or direct costs as defined in table 6.1.
Indirect company costs As defined in table 6.1 guidance and includes NGT's own project management costs.
Risk / contingency Contingency included in the base cost estimate. Including technical and commercial contingency associated with compressor OEM tender and main works contracgtor contingency.

Table 6.3 – Asset health by intervention type

Purpose and use by Ofgem
The purpose of this table is to allow NGT to report costs and workloads for its asset health programme against the intervention types it is funded to deliver as part of the RIIO-2 settlement. The data in this table also links to the NARM and non-lead assets PCD outputs.
Instructions for completion
General NGT should enter the cost and workload data agsinst each intervention type listed. The costs in this table are split by baseline and uncertainty mechanism, however workload data is to be input in a single table regardless of the mechanism by which it is funded. Where additional or new intervention types are delivered these should be entered in the additional input cells provided. Please enter the associated attributes so that these additional costs and volumes can be aggregated into the correct cost bins. **Apportionment of costs** NGT should provide seperately details of the methodology used to apportion costs across the various intervention types in a separate annex. **Baseline / Uncertainty mechanism** Please refer to instructions for table 6.1 (Capex summary)

Specific definitions for this worksheet
None

Table 6.4 – Asset health projects

Purpose and use by Ofgem
This table is used by Ofgem to understand how NGT is delivering its asset health programme and how work is bundled into work packages for efficient delivery. It will be used to assess the extent to which NGTs cost reporting at the intervention type level is based on apportioning bundled project costs and assist in establishing efficienct levels of cost allowances for RIIO-3.
Instructions for completion
Record the costs and volumes for the projects that form part of the devivery of the RIIO-2 Asset Health plan. **Cost Data** *Project reference & name* Ofgem expect NGT's 'PAC' reference to be used and associated project name to be completed, where the work is not delivered through the ND500 process (for example PMC delivered work) the corresponding PMC reference or other relevant reference should be entered as the project reference with the appropriate project title. *Contracting method* Indicate how the project or package or work has been procured, for example by competitive tender, single source, framework supplier or turnkey contract, in house delivery team etc. *Allocation methodology* If numerous intervention types are bundled into one project indicate the methodology applied to disaggregate the costs to arrive at the unit costs used to populate table 6.3 (Asset health Interventions). To the extent the detail is covered in a separate annex a reference is sufficient. *Project phase* Where applicable please enter the relevant stage of the project in the ND500 project lifecycle. *Project Costs* Input the actual costs for the asset health projects in progress for the RIIO-2 period up to and including the current regulatory reporting year

Where projects span price control boundaries, please enter the actuals costs and workload prior to RIIO-2 in the RIIO<T2 column and forecast. **Workload data** For each project listed above, input the associated workload volumes delivered up to the regulatory reporting year. Select the project reference from the drop down which will populate the project title Select the relevant intervention type from the drop down which comprises all interventions funded as part of the RIIO-2 settlement and the description will autopopulate. Enter the volume delivered each year up to and including the current reporting year. If a project comprises interventions in addition to those funded as part of the asset health plan then these should be entered under 'other' and the free text input box used to indicate the actual additional workload delivered.
Specific definitions for this worksheet
None

Table 6.5 – Decommissioning of redundant assets

Purpose and use by Ofgem
The purpose of this table is to capture data on the projects and associated costs covered by the redundant assets PCD. By recording the status of each project it will also allow Ofgem to monitor progress on an annual basis.
Instructions for completion
Project data The project name along with any specified project reference should be recorded for each separately funded decommissioning project as specified in the Redundat Assets PCD annex. Additional attributes should be recorded for each project: **Site** – for example, feeder no, compressor station or AGI. **Asset –** for example, pig trap, flow meter, block valve or compressor **Activity** - for example, decommission, disconnect & pipethrough and decommission **Scope** – further detail on the scope of work for example *'Units A & B (2x RB211-24C) back to plinth inc. station pipework and control systems'* **Start and End date** – enter the actual project start and end dates, where the project is yet to commence, or has commenced but yet to finish, please leave the corresponding cells blank **Status** – enter the status of the project

General
Where new projects are undertaken or planned to be undertaken in addition to those listed in the redundant assets PCD annex, these should be added to the list and prefixed 'New' in the status column.
Specific definitions for this worksheet
None

Table 6.6 – Physical security capex

Purpose and use by Ofgem
The purpose of this table is to inform Ofgem of the capex spend on physical security in relation to BEIS's enhanced physical security upgrade programme (PSUP).
Instructions for completion
New Sites Licensees must provide information for all sites where physical security has been upgraded, or where work is currently being (or planned to be) carried out, as part of the PSUP in RIIO-2. Input the actual start and end dates for projects. The start date must be when the licensee begins designing the site specific operational requirement (SSOR) solution. The end date must be when the works have completed a successful SCC SAT (NG Security Control Centre Site Acceptance Test) to meet the SSOR. Where dates are not known, the planned start/end dates must be populated. Input the current status of works using the following definitions: • To be constructed - PSUP site identified, works awaiting sanction and/or award prior to commencement of design, construction or works of any form. • Under construction - PSUP site sanctioned and/or awarded. Works associated with delivery have now commenced. • Under review - PSUP works have been identified, requirement is to be or is currently being reviewed by BEIS / CPNI. • Complete - The works are complete when they receive Technical 2 sign off as meeting the SSOR and are operationally accepted by the ARC. The output is met at this point, however, spend may continue until project closure. • Closed - The project will be closed after all snagging issues have been resolved on site and final costs determined (in line with the contractual warranty period). • Stopped/terminated - Project was stopped or terminated either prior to works commencement or during works due to reclassification or other reason.

The licensee must input actual costs for all Physical Security capex projects in RIIO-2 up to and including the current reporting year. Please refer to instructions for table 6.1 (Capex summary) with respect to the differentiation between baseline and uncertainty mechanism costs. **Major projects** NGT is to report annual expenditure incurred delivering the two PSUP Major projects funded at RIIO-2 Final Determinations. **IT asset refresh & Technical asset refresh** NGT should enter costs associated with replacing IT and technical assets installed as part of the PSUP programme, separately recording costs and workload data for each IT and technical asset type listed, and as defined below. Any costs incurred replacing IT assets not listed are to be reported ('other') and justified in the RRP narrative submission.
Specific definitions for this worksheet
Workstation Used by onsite operatives to view the current status of the Enhanced Physical Site Security solution, including live and recorded video from CCTV assets and live and historic alarms on the status of Enhanced Physical Site Security solution assets through security software applications.
Video storage Allows provision for zoned storage for the various assets within the Enhanced Physical Site Security solution, such as CCTV footage and alarm logs.
Server Manages the various connected resources and assets as part of the Enhanced Physical Site Security Solution, such as managing the video stream from cameras to the Video Wall and Evidence Storage and remote connection to and from the ARC.
CMC (Computer Multi Control) The Video Wall Hardware is a powerful command and control interface that enables multiple video feeds or applications to be viewed on the same device simultaneously, providing this function locally or remotely.
KVM (Keyboard Video Mouse)

A KVM switch allows a user locally or remotely to control multiple computers or servers from one set of Keyboards, Video monitors and mice. It also enables remote sharing of peripherals and audio.
Network Switches Used to connect multiple computers and devices such as servers and network hard drives that make up the Enhanced Physical Site Security IT Hardware solution. Multiple network switches are used in each solution.
Evidence locker A network storage device authenticated to 256-bit SHA-2 drive that every video channel from the CCTV cameras is copied to for storage.
Security Cameras The CCTV system is used to detect an intruder within a reasonable time frame and verify an alarm from a Perimeter Intruder Detection System (PIDS). Video from the system is used to provide evidence of threat attacks. They can be of the Fixed or Pan-Tilt and Zoom variety.
Electrified fence Perimeter Intruder Detection systems are installed on the perimeter of the site and are used to provide an advanced warning and detection of an attack and also to provide a deterrence. This is part of the Detect 3 D's (Deter, Detect and Delay) E.g. Electric Fence
Site lighting Provides a deterrence against threats (Deter) and helps identify unauthorised intruders via the CCTV system (Detect) through lighting the site to suitable Lux levels.
Access Control HID Human Interface Device (HID) are the readers to enable access. Automatic Access Control Systems provide detection and auditing to limit access to the sites to only authorised personnel.
Intercom

Intercom system allow two way communications. Automatic Access Control Systems provide detection and auditing to limit access to the sites to only authorised personnel.
Sounder A site audio challenge system to allow the operator in to play pre-recorded messages at site.

Table 6.7 & 6.8 – Transmission Owner and System operator non-operational capex

Purpose and use by Ofgem
The purpose of these tables is to report expenditure on both TO and SO Non-operational capex so Ofgem can understand performance against allowances and delivery against the RIIO-2 settlement.
Instructions for completion
IT & Telecoms List specific IT projects where the total project expenditure is £1m or more. Full project details (not just expenditure in the year) should be entered as indicated by the column headings. Expenditure on all other assets and IT assets less than £1m should be entered in total. Where projects are linked to specific outputs these should be entered in the appropriate column, using appropriate RIIO descriptors where possible. *Vehicles* Where applicable, costs and volumes (No. Vehicles) should be entered separately for Internal combustion engine (ICE) vehicles and electric vehicles (EV). *Non-operational Property* Where applicable, costs and volumes (No. Sites) should be entered separately for the building refurbishment and EV charging infrastructure. *Small Tools Equipment Plant & Machinery* Where applicable, costs should be entered separately for strategic and non-strategic spares. **Baseline / Uncertainty mechanism costs** Please refer to instructions for table 4.1 (Capex summary)
Specific definitions for this worksheet
Non-operational capex Expenditure on new and replacement assets which are not system assets. This includes: • IT & Telecoms • Vehicles (including mobile plant and generators) [TO Only]. • Non-operational Property - Land and Buildings used for administrative purposes.

• Small Tools, Equipment Plant & Machinery – including office equipment. [TO Only]
Project category – New A new IT system that is additional to or replaces an existing IT system
Project category – Enhancement A change to an existing IT system that adds to the capabilities of the system
Project category – Refresh A change to the software or hardware of the system due to an upgrade from the supplier
Investment type – Direct IT investment solely for the licensee to which the reporting table applies
Investment type – Shared Group IT Investment with costs allocated across licensed entities
Strategic spares Equipment held for quick response to asset faults and failures which generally have long lead time, are held in the appropriate conditions, are cycled to ensure those spares with a shelf life are used appropriately. Purchased on basis of feedback from fault data obtained in the field or via OEM bulletins. Correct stock levels are achieved, regularly reviewed and updated. This might include obsolete equipment that has been refurbished and returned into stock to support similar obsolete equipment still in use. High value low volume spares, compressor Engine.
Non-stategic spares Those spares that are used on a more regular basis to support routine and non-routine maintenance. Stored in the appropriate conditions, are managed within their shelf as identified by the manufacturer, are purchased as required and managed centrally to ensure the availability of a spare when required is available to all sites. Correct stock levels are achieved, regularly reviewed and updated.

Table 6.9 Resilience

Purpose and use by Ofgem
This table is intended to provide a summary of resilience costs to allow the costs to feed into totex and hence the PCFM.

Instructions for completion
Costs should be populated for opex and capex seperately for the TO and SO. The data provided should reconcile with the detailed 6 monthly reporting which is provided seprately to Ofgem.
Specific definitions for this worksheet
None

Table 6.10 – Vehicles

Purpose and use by Ofgem
For RIIO2, Licensees were provided allowances to transition from internal combustion engine vehicles to Zero Emission Vehicles. The table is to provide data of vehicle population that has transitioned to Zero Emission and the costs associated with the transition. The data entered in this tab is a breakdown of vehicles types classified as assets of the organisation i.e. purchased or long termed leased vehicles treated as fixed assets. This data should match tab 6.07 vehicles and EV Charging Infrastructure population data.
Instructions for completion Zero emissions vehicles consist of electric vehicles or other zero emissions vehicles e.g. Hydrogen vehicles such that they conform the commercial fleet EV PCD in line with the Final Determination document. Non Zero Emissions vehicles are all other vehicles not conforming to the commercial fleet EV PCD. This includes petrol, diesel and hybrid vehicles. The worksheet makes provision to capture data on both Capex and Opex in order to make comparable assessment for companies operating different procurement models for these assets i.e. direct purchase or long term lease. All data should be entered for the following types of vehicles: Zero Emission Vehicles: • Cars • Small Van

- Medium Van
- Large Van
- Support Van

Non Zero Emission Vehicles

- 4x4
- Cars
- LGV
- HGV

Volumes Population: enter Electric Vehicle Charging Point

The entered costs should be directly associated with the price control activity only.

For each year specified, the following data should be entered for the following sections;

Net : Total
- Capex
- Opex

Table 6.11 Disposals

Purpose and use by Ofgem
The purpose of this table is to collect information relating to fixed asset disposals.
Instructions for completion
• Disposal details - Enter details of disposals in the regulatory year by asset type for the company and individual licensees. For the avoidance of doubt, disposals should include assets transferred from the licensee to a company within the same group (i.e. a property company). • Reclassification/Adjustment Insert details of any adjustments or reclassifications relating to disposals.

• Property and land disposal income (various sites) – Enter details of specific disposals which will calculate the profit/loss on disposal. The property and associated land include any operational site and in-whole or part of any non-operational site (eg office buildings).
Specific definitions for this worksheet
None

7. Instructions for completing the gas network data worksheets

Section summary

The purpose of this chapter is to inform the completion of the gas network data worksheets. This is to enable Ofgem to effectively monitor the performance of the gas transmission network including in relation to system flows and asset health during RIIO-2.

Introduction

7.1. The purpose of the worksheets in this area is to report data on the network and its performance at various different levels to enable Ofgem to fully understand the network changes and network performance year on year.

7.2. NGT should submit accurate and (where instructed) audited figures of their data for the relevant period. Further guidance is provided below.

Overview of worksheets

7.3. The worksheets included in this chapter are:

- 7.1 Pipeline data
- 7.2 Activity indicators
- 7.3 Demand and capability
- 7.4 Demand and system performance
- 7.5 Compressor performance and utilisation
- 7.6 Compressor assets
- 7.7 Emissions
- 7.8 Asset Data
- 7.9 Forecast Scenarios

Specific Instructions

Table 7.1 – Pipeline data

Purpose and use by Ofgem

The purpose of table is to collect information on the activities undertaken to maintain effective management of pipeline integrity across the network.
Instructions for completion
NGT should input actual data up to and including the reporting year and forecast data as indicated below. **Inline inspections (ILI)** In order to monitor the volume of ILI planned and actually undertaken and length of pipeline subject to ILI in RIIO-2 and beyond, NGT should enter the number and length (in km) of ILI runs planned as a 5 year rolling forecast. The actual number and length of ILI runs carried out should be entered up to and including the current reporting year. If there is a difference in the volume of activity undertaken against that planned, for example due to failed or deferred runs, or runs brought forward for operational reasons, please provide explanation in the accompanying narrative. Also input the length of DOC (using xyz mapping on the ILI tool) surveys planned as a 5 year rolling forecast and the actual length carried out. As NGT has been funded to carry out these surveys as part of each ILI run it is expected that planned and actual length surveyed will match the ILI run data. Where this is not the case an explanation for this discrepancy should be provided in the narrative. **ILI Digs** To understand ILI Dig prediction effectiveness of the planning tool NGT should report the number of digs predicted by the planning tool and the number of digs triggered by the ILI findings. It is expected that the number of digs predicted is forecast for the year beyond the current reporting year. The analysis of ILI results that lead to a commissioning of a dig should find anomalies that are imminently in need of repair. NGT should report the number of digs completed in any given year and the number of these digs that require a pipeline repair to be undertaken. Defects For RIIO2 ILI Digs allowance, this was derived using number of defects as part of its calculation. The data on the number of defects will be an input for next price control allowance calculation. NGT to provide the planned (predicted) and actual faults for each reporting period. **Cathodic Protection (CP)** As the pipeline system should have adequate CP protection Ofgem would like to understand the number and extent defects across the network and whether these are increasing or decreasing year on year.

Recognising the challenges in reporting the extent of these issues in linear terms for parts of the network Ofgem have separated reporting out by defects on pipework and pipeline assets. Pipework CP relating the the cathodic protection of above ground pipework and installations and Pipeline CP relating to the cathodic protection of the buried pipeline assets. For the pipeline assets Ofgem expect NGT to report number and length of defects.
NGT should populate the starting number of both P1 and P2 defects in its defect management database at the beginning of each reporting year and any movements during the reporting year. The closing balance for each defect type should be the next years opening number.

Unplanned interventions

NGT may be required to respond to unforeseen events or anomalies that trigger ad-hoc interventions or excavations beyond those resulting from the ILI programme. For example due to lightning strikes, 3rd party interference, shielding of CP by detached coatings or subsidence. To the extent these are forecast enter the number predicted for the following regulatory year and the actual number up to and including the current regulatory reporting year.
Where these result in investigation to establish the root cause or prevent reoccurrence please enter the number of such events investigated.

Reportable Incidents

NGT should enter the number of incidents reportable under major legislation such as RIDDOR, GS(M)R, Environmental Permitting Regulation and Population and Control Regulation that fall within the categories listed.

Specific definitions for this worksheet

ILI defect repair

includes coatings repairs, fitting of epoxy shells, composite repairs etc. Where an excavation is undertaken and no damage is found that requires repair then this does not constitate an ILI defect repair.

Table 7.2 – Activity indicators

Purpose and use by Ofgem
The purpose of this table is to collect key indicators of the overall level of transmission activity.
Instructions for completion

All data should be for actual levels of demand showing flows into and out of the network. Gas Distribution Networks (GDN) demand levels from the NTS should be shown by Local Distribution Zone (LDZ). NTS direct connect power stations (by LDZ): power stations must be allocated according to the geographical location. Data for storage sites must be based on net physical flow.
Specific definitions for this worksheet
None

Table 7.3 – Peak Input Demand

Purpose and use by Ofgem
The purpose of this table is to collect information regarding the maximum levels of actual input demand to the NTS.
Instructions for completion
Actual flows at each live Aggregated System Entry Point (ASEP) should indicate maximum values observed in the reporting year expressed in GWh/day. Data for storage sites must be based on net physical flow. Values should be recorded for each year up to and including the current reporting year.
Specific definitions for this worksheet
None

Table 7.4 – Output Demand and system performance

Purpose and use by Ofgem
The purpose of this table is to collect information regarding the maximum level of output demand and quality of transmission service delivered in terms of transmission system incidents.
Instructions for completion
Highest daily total demand: Actual maximum demand. Peak day demand by LDZ: LDZ Demand levels to be shown for the highest daily total demand day (NOT the highest demand in the LDZ). All other demands peak day demand: Demand assumed on the peak day from all non-LDZ points should be included within 'all other demand'. This should include storage and interconnector flows if they are normally assumed to be taking gas from the NTS on the highest total demand day. Peak day NTS shrinkage: Shrinkage on the highest daily total demand day during the reporting year.

Number of transmission system incidents: an incident is defined as any unplanned system event which results in a single or multiple loss of supply.
Specific definitions for this worksheet
None

Table 7.5 – Compressor performance and utilisation

Purpose and use by Ofgem
The purpose of this table is to collect data on overall compressor utilisation and performance to enable Ofgem to understand compressor operation across the network.
Instructions for completion
Actual monthly running hours should be recorded for each compressor unit which has recorded running hours during RIIO-GT2 (including units which have been decommissioned during RIIO-GT2). An estimate of running hours for each compressor unit should be provided going forward up to the end of RIIO-GT2. It is recognised that this is an estimate, using a variety of intelligence and a process which NGT considers robust and fit for delivering reasonable forecasts. This may be a process similar to that used to produce the Network Review document or other, if the TO considers this appropriate. Accompanying commentary should describe the methodology used in detail and the reasons for year-on-year changes. Consumed hours should be populated on the same basis as above. Consumed hours take into account damage factors associated with starting and tripping of the machines and the amount of time at a standstill as well as the number of hours operated. The data is berth and not asset specific and where asset exchanges occur, they will be explained in the narrative, eg. New gas turbine installed. No. of hours unavailable (planned) – Input the number of hours each month the unit is unavailable for operation due to planned outages. No. of hours unavailable (unplanned) – Input the number of hours each month the unit is unavailable for operation due to unplanned outages. Where the site is unavailable due to short duration maintenance work, but is on operational stand-by, this must be reported in the relevant section. All instances of unavailability must be reported in hours. Where a planned outage overruns then this becomes an unplanned outage (and hence unplanned availability) When a breakdown becomes a planned and funded project then it becomes planned unavailability

Unplanned outages covers breakdowns until they become a project
Specific definitions for this worksheet
None

Table 7.6 – Compressor assets

Purpose and use by Ofgem
This table allows Ofgem to understand the make up of the current compressor fleet
Instructions for completion
The list of in service compressor Stations and units auto populates from table 7.5 the attributes listed for each compressor unit across the network. The unit and site maximum flows should be populated in mcm/day. NGT should indicate compressors subject to running hour limitations as well as the nature of the limitation. For each compressor installation indicate whether it is considered 'Best Available Technology' for the site. If a replacement unit has been or is planned to be constructed for any compressor unit on the list enter this under the 'replacement unit' column. Where appropriate, populate the previous and forecast next overhaul dates as well as the forecast number of 'consumed hours' remaining until the next overhaul for both the power turbine and the gas generator. Where it is not applicable enter N/A. • For Gas Turbines consumed hours accounts for run hours plus the impact of starts, stops and standstill hours • For Power Turbines consumed hours accounts for run hours plus the impact of starts and standstill hours. Compressor units and sites which have been decommissioned during RIIO-1 or RIIO-2 must be reported in the decommissioned table. NGT should populate the relevant cells for Unit thermal rating / Unit power rating (MW) sections with "N/A" as decommissioned units capacity should not be included within the overall compressor site capacity calculation.
Specific definitions for this worksheet
None

Table 7.7 – Network Emissions

Purpose and use by Ofgem
The purpose of this table is to collect data on the greenhouse gas emissions of the National Transmission System (NTS) to link to throughput and compare trends year on year.
Instructions for completion

This table is to include actual CO_2 and NO_x gaseous emissions from compressor stations, consistent with the running hours presented in table 7.5, and following methodologies consistent with those used for NGT's 'Network Review'. Data required: • NO_x and CO_2 emitted by gas powered compressors. • Methane emitted from plant: tonnes of methane emitted per annum. Further detail (e.g. categorised volumes, etc.) may be provided where considered necessary. This table requires data to be reported in tonnes, but this must also be provided to the most detailed level of accuracy which can be practically achieved.
Specific definitions for this worksheet
None

Table 7.8 – Asset Data

Purpose and use by Ofgem
The purpose of this table is to provide a list of all assets installed on the NTS system.
Instructions for completion
List all assets whose installation has been completed by 1st April for each year. Compressor data is not included in this table as it is captured under Table 7.6. Measure is normal Maximum Operating Pressure. Pipelines should be identified by start and finish points. • Date constructed: enter year e.g. 1971. • Design life: enter number of years. • Pipeline diameter: enter in mm. • Pipeline length: measure pipeline lengths between recorded start and finish points in km. • Design pressure rating: measured in bars. • Feeder number: Identify each pipeline by its NTS feeder number. • Constructed / Abandoned / Decomissioned: Select relevant description. • Year Ending: Input with year in which an asset has been decommissioned/ abandoned. • Work columns (Km): Units the equivalent length such as "3" for an additional 3km commissioned or "-3" for 3km decommissioned. Enter "0" for any cell with no value expected to ensure clarity that no workload has occurred. • Workload columns (No): Should be populated with appropriate value e.g. for 'No' units, a "1" for commissioned assets or "-1" for decommissioned assets should be entered.
Specific definitions for this worksheet
None

Table 7.9 – Forecast Scenarios

Purpose and use by Ofgem
The purpose of this table is to collect information to exhibit the gas supply peak projections for each entry point for all forecast scenarios. The peak forecast for entry points is used as a guide which help to inform network reinforcement investment decisions.
Instructions for completion
The forecast scenarios to be reported on in this table should be the Peak Supply view, and align with data published in the Future Energy Scenarios (FES) or any other equivalent publication by NGT. The forecast should be provided for a 5 year period beyond the current reporting year, including, extending beyond the 5 years of the RIIO-2 price control.
Specific definitions for this worksheet
None

8. Instructions for completing outputs and policy worksheets

Section summary

The purpose of this chapter is to provide instructions for completing worksheets relating to NGT's policy outputs.

Introduction

8.1. This chapter provides guidance on the provision of data relevant to NGTs policy outputs, innovation funding and future reopener applications.

Overview of worksheets

8.2. The worksheets included in this chapter are:

- 8.1 Satisfaction survey
- 8.2 Business carbon footprint
- 8.3 Environmental Scorecard
- 8.4 Gas Constraints
- 8.5 Gas Constraint Events
- 8.6 NIA
- 8.7 CNIA
- 8.8 NIC
- 8.9 SIF
- 8.10 Pipeline log

Specific Instructions

Table 8.1 – Customer and Stakeholder Satisfaction Survey

Purpose and use by Ofgem
The purpose of this table is to collect the results from surveys that the transmission owners are required to carry out under the customer/stakeholder satisfaction output. The output has a financial incentive element for the customer satisfaction survey and is reputational only for the stakeholder satisfaction element. The deterministic financial incentive rewards

or penalises the transmission owner for performance as appraised by its customers through survey. This table relates to the survey results and information on the distribution of these results. The comparison of the score against the target is needed to inform the financial incentive calculation and this is done in table 4.10.
Instructions for completion
To complete the worksheet each TO is required to include: • Provide scores to the questions ask on the Customer and Stakeholder Satisfaction Survey form. • Where survey responses require non-numerical answers, therefore, not possible to derive a single figure it should be completed as n/a. The key messages from the qualitative data should be provided in the strategic narrative submission, • Provide the number of customer surveys whose performance feeds into the financial incentive. • The formula calculates the CSAT and SSAT scores respectively, taking the product of score and number of responses per service, then dividing by the total number of responses received. • Provide a forecast of the customer satisfaction score to feed into revenue table 4.10.
Specific definitions for this worksheet
None

Table 8.2 – Business carbon footprint

Purpose and use by Ofgem
The purpose of this table is to collect data on the licensee's scope 1 and 2 business carbon footprint (BCF) excluding losses. The annual table will ultimately show a percentage change against a pre-agreed base year to demonstrate the licensee's performance in comparison to its RIIO-2 BCF target. This data will be published by Ofgem as part of a report on all licensee's performance across the RIIO-2 outputs. This table allows the license to provide data on scope 3 emissions if it wishes to do so. This data will not be published by Ofgem unless agreed with the licensee.
Instructions for completion
The licensee must report on its scope 1 and 2 BCF for the regulatory reporting year. In years 2-5 licensee should also include data from previous year as reported in previous year. If there is any retrospective change in figures to previous year due for example error, licensee should explain any discrepancies between the report in the previous year and the report in the current year covering for previous year.

The reporting methodology must be compliant with the principles of the Greenhouse Gas Protocol (GHG Protocol). In summary, the BCF reporting must be:

- Relevant: the inventory must reflect the substance and economic reality of the company's business relationships, not merely its legal form
- Complete: all relevant emission sources must be included (although in practice lack of data or cost of gathering could be a limiting factor)
- Consistent: accounting approaches, inventory boundary and calculation methodology must be applied consistently over time
- Transparent: information on the processes, procedures, assumptions and limitations of the BCF reporting must be disclosed in a clear, factual, neutral and understandable manner, enabling internal and external verifiers to attest to its credibility
- Accurate: GHG measurements, estimates, or calculations must be systemically neither over nor under the actual emissions value, as far as can be judged, and that uncertainties be reduced as far as practicable

The licensee must report on all Scope 1 and Scope 2 emissions on an 'operational control' basis, i.e. report all emissions from operations on which the licensee has full authority to introduce and implement its operating policy.

A licensee that form part of a larger corporate group must provide a brief introduction outlining the structure of the group. The commentary must detail which organisations are considered to be within the reporting boundary for the purpose of this exercise.

Guidance on completing the tables.

Scope 1

Energy consumption

In line with GHG protocol energy consumption in scope 1 should include emissions from the combustion of fuels by sources owned or controlled by the reporting company.

Transport

Enter the tCO2e for direct commercial vehicles and business mileage.

Direct commercial vehicles are the transportation (often a fleet of vehicles) used in the day to day operation of the business.

Business mileage is that undertaken by staff travelling to locations that are other than their normal place of work or moving between sites for purposes such as meetings.

Direct commercial vehicle emissions calculations should be based on fuel consumption, which includes fuel used, for example, in compressors, pumps, generators, stihl saws and strimmers bought on vehicles fuel cards.
The appropriate conversion factors will be applied.

In cases where emission factors for specific transport means are not available (we are aware of this issue for helicopters, but there may be some other instances) the equivalent tonnes of carbon dioxide (tCO2e) must be estimated and summed to the closest means of transport (e.g. "air" for helicopters). The methodology and assumptions used for estimating/measuring these emissions must be included in the commentary.
Defra guidelines provide for a range of emission conversion factors for transport means, with the aim to provide the best possible estimate of emissions from the vehicle portfolio owned and/or operated by the company. The reporting must, as far as reasonably practicable, use the full range of emission conversion factors available (as applicable to the range of means of transport actually used by the company) unless there is a compelling case for using another conversion factor.
Defra allows for road transport to be entered in terms of both distance and fuel consumption.
Business road transport, including company cars and casual users, will be measured in mileage.
Fugitive emissions

Enter any emissions related to the activity of operating the gas system such as Venting. Emissions should be converted to tCO2e

Venting data should be consistent with the data provided in table 9.1.1 (GHG venting data). Note that this table should be reported in tCO2e and not as in table 9.1.1

Leak detection and repair: this should include any leak detected by NGT. This should exclude venting ans we don't expect duplication.

Scope 2
Electricity consumption

In line with GHG protocol[3], scope 2 electricity consumption includes the emissions from the combustion of fuels to generate electricity, steam, heating, and cooling purchased and consumed by the reporting company.

Electricity consumption for the use of EVs owned by the company should be included here in line with GHG protocol Scope 2 guidance

The emissions for electricity use must be converted according to the factor for the "Grid Rolling Average" unless there is a compelling case for using another conversion factor.

Scope 3 – Optional

It is desirable but not essential that the licensee also reports on its scope 3 emissions. This will ensure that reporting captures all significant emissions arising from the development and operation of the licensee's Distribution System, regardless of the legal entity carrying out each activity. The licensees is to define the boundary of Scope 3 emissions in accordance with the GHG Protocol.

The licensee can amend sub-types listed 'spare' to define the sub-type of emissions most relevant to them under each category.

PE pipe (if relevant)

Enter the PE pipe emissions which relate to the procurement of PE pipe used in network activities.

Business travel

Business travel as defined by the GHG protocol includes transportation of employees for business-related activities during the reporting year (in vehicles not owned or operated by the reporting company)"

Contractor and Private vehicles

Enter the emissions for contractor vehicle which arise from work undertaken on the network by contractors not directly employed by the company and, where relevant,

[3] Scope 2 Guidance | Greenhouse Gas Protocol (ghgprotocol.org)

emissions from private vehicles owned by employees which arise from business travel and/or other work undertaken on the network. *Rail/Air/Ferry* Enter the emissions from third party transport services. Apportionment of emissions across a corporate group to the GDN business units must be undertaken through an existing finance allocation model. *Employee commuting* This category includes emissions from the transportation of employees between their homes and their worksites.
Specific definitions for this worksheet
None

Table 8.3 – Environmental Scorecard

Purpose and use by Ofgem
The purpose of this table is to collect information on the licensee's annual environmental performance compared to the baseline targets included in the licensee's Environmental Scorecard ODI.
Instructions for completion
The licensee should fill in the boxes shaded in yellow. **Operational fleet emissions table (NGT only)** • In column E, select the activity data from the drop-down list that the licensee records to measure vehicle use of all vehicles of a specific type. • In column F, enter the total amount of activity data recorded in the year for the vehicle type group. • In column G, enter the appropriate conversion factor from the "Government conversion factors for company reporting of greenhouse gas emissions factors" to estimate the greenhouse gas emissions associated with operational vehicle use. **Business mileage emissions table** • In column E, select the activity data from the drop-down list that the licensee records to measure vehicle use of all vehicles for a specific type.

- In column F, enter the total amount of activity data recorded in the year for the vehicle type group.
- In column G, enter the appropriate conversion factor from the "Government conversion factors for company reporting of greenhouse gas emissions factors" to estimate the greenhouse gas emissions associated with business mileage.

Please note: For both waste and water, the expectation is not to report on all operational sites separately, total by source can be reported eg. operational use and office use.

For operational waste and office waste tables

- In column D, enter the waste type.
- In column E, enter the weight of the waste type disposal in the year.
- In column F, enter the final destination of the waste type.
- In column G, select from the drop-down list if the final destination constitutes recycling of the disposed waste ie the waste materials are recovered and reprocessed into products or materials whether for the original or other purposes.

For water use table

- In column D, enter the office site.
- In column E, enter the volume of water use metered on the office site in the year.

For environmental value on non-operational land

- In column D, enter the project name and site address.
- In column E, enter the land area in hectares at the location site that will be subject to the intervention
- In column F, list the types of interventions that have been delivered on site in the year. This is free text entry, for example create wild flower meadow, plant native trees. Put each intervention on separate row.
- In column G, enter a measure of the type of intervention for example if create wild flower meadow is entered in intervention, the volume might be 0.5 hectare, if native tree planting, the volume might be 100 trees, if intervention is hedgerow laying, the volume might be 0.5km.
- In column H, enter the proportion of the project's total interventions completed at the end of the year which should be reported as the percentage of the intervention completed in the reporting year.
- In column I, list the ecosystem services that the location site provides. This is free text entry. List the most significant ecosystem service on separate rows, and the lesser ecosystem services could be entered together as a single entry.

- In column J, state the baseline monetary value of the ecosystem services provided in a year from the site (eg - £/ha/yr).
- In column K, state the baseline natural capital value of the site in £m.
- In column L, state the monetary value of the ecosystem services that will be provided in a year after the project is completed.
- In column M, state the natural capital value of the site after the total project is complete.

For environmental net gain on construction projects:

- In Column C, enter the code of the project as given in other capex tables. This is to allow better understanding of which project this activity relates to.
- In column D, enter the construction project name and site location.
- In column E, indicate whether project has required formal planning consent.
- In column F, list the planned interventions that are included in the approved habitat plan and/or the licensee's environmental gain plan for the project.
- In column G, state the number of biodiversity units measured in the baseline survey of onsite and offsite biodiversity using the Defra and Natural England Biodiversity Metric...
- In column H, state other environmental quality measures in the baseline survey that are relevant for the site or construction project.
- In column I, state the overall baseline measure for the project site ie the combination of column G and H.
- In column J, state the expected number of biodiversity units to be achieved from the implementation of the approved habitat plan.
- In column K, state the environmental quality improvements expected to be achieved from the implementation of the approved habitat plan and/or the environmental gain plan associated with the construction project or site.
- In column L, state the overall measure for the project site after the habitat plan and/or the environmental gain plan are completed ie the combination of column J and K.
- •In column N, enter the actual costs for delivering the habitat plan and/or the environmental net gain plan.

Specific definitions for this worksheet

None

Table 8.4 – Gas constraints

Purpose and use by Ofgem

The purpose of this table is to collect information about the costs and revenues associated with NGT's constraint management actions and constraint management incentive..
Instructions for completion
NGT should supply the monetary amounts. Where costs or revenues apply to more than one licence term, a specific breakdown of values should be provided in accordance with each of the corresponding constraint management cost incurred and revenue stream received. Total values can be determined in accordance with each licence term, as can the outputs of the constraint management incentive. For terms RNOECt and RNOExCt, this revenue shall be "derived by the licensee" from sales of the respective non-obligated capacities that feed into the CCM incentive.
Specific definitions for this worksheet
None

Table 8.5 – Gas constraint events

Purpose and use by Ofgem
The purpose of this table is to collect information on specific actions undertaken and constraint events relating to NGT's constraint management.
Instructions for completion
NGT should supply information on constraint events per annum, including when and where events occurred, as well as the constraint management actions taken to manage the constraints. NGT should supply the numerical data required (kWh) and narrative/summaries of constraint events. The costs associated with operational constraint management actions (as defined in Special Condition 5.5 and Table 6.5) should correspond with those listed in this table where applicable. Data provided should be comparably understandable with the public data provided on gas constraint events (e.g. via the MIPI data platform).
Specific definitions for this worksheet
None

Table 8.6 – Network Innovation Allowance

Purpose and use by Ofgem
Network Innovation Allowance (NIA) is a set allowance that the licensee can use to spend on innovation projects. NIA is over and above base revenue. This table captures the amounts spent under the NIA.

The amount of NIA that can recovered is calculated as set out in Special Condition 5.2 and must not exceed the licensee's stated allowance as specified in the RIIO-2 Final Determinations.
Instructions for completion
Costs reported in this table must be incurred in accordance with the most recent version of the NIA governance document.[4] For expenditure by project section, NGT should input details of each RIIO-2 NIA activity / project its unique reference number, name and status. NGT should also provide reporting year actual and remaining RIIO GT2 forecast expenditure. Unrecoverable NIA Expenditure - NGT should input details of any expenditure that has been declared as Unrecoverable NIA Expenditure by Ofgem in accordance with the RIIO-2 NIA Governance Document. NGT should also report how much of their Total NIA Expenditure that has been spent on internal resources.The NIA Expenditure is required to monitor the total amount spent by the Licensee in order to align with the regulatory accounts. Allowable NIA Expenditure is required to monitor the amounts being claimed through the NIA Funding Mechanism
Specific definitions for this worksheet
None

Table 8.7 – Carry over Network Innovation Allowance

Purpose and use by Ofgem
The CNIA allows the NGT to spend and recover any remaining unspent NIA funds from the last year of RIIO-GD1 (2020-21) within the first year of RIIO-GD2 (2021-22), providing those projects were started before 31 March 2021 and comply with the NIA Governance Document.
Instructions for completion
CNIA is allowed only for the next reporting year of the commencement of projects and no subsequent years. For example, 2021-22 is the only year that CNIA from 2020-21 commenced projects can be recovered.

[4] The RIIO-2 NIA Governance Document can be accessed here: https://www.ofgem.gov.uk/energy-policy-and-regulation/policy-and-regulatory-programmes/network-price-controls-2021-2028-riio-2/network-price-controls-2021-2028-riio-2-riio-2-network-innovation-funding/network-innovation-allowance-riio-2

Enter the amount of allowable carry-over allowance allocated to the categories listed below: • Load related capex expenditure • Non-load related capex expenditure • Other capex expenditure • Indirects • Network Operating costs • Non-operational capex Complete the eligible expenditure by activity/ project providing: • Activity / project unique ref • Activity / project name • Status (completed, in progress, stopped, other - please specify) Note: the total of eligible expenditure by activity/ project should equal the carry-over allowance. In accordance with Special Condition 5.3, input the following to complete thetable: • Total of any third party income or contributions towards projects. • Unrecoverable CNIA expenditure. • Licensee's NIA percentage in 2020/21, base revenue for 2020/21 formula year, Eligible NIA Expenditure for formula year 2020/21, Eligible NIC Bid Preparation Costs for formula year 2020/21. These inputs enable the calculation of maximum CNIA that can be recovered (this is formula driven – no data required). CNIA to be recovered (this is formula driven – No data required)
Specific definitions for this worksheet
None

Table 8.8 – Network Innovation Competition

Purpose and use by Ofgem
This table collects expenditure from the Network Innovation Competition (NIC) Project account for any RIIO-1 NIC project that is being implemented. The expenditure is recorded by project.
Instructions for completion
Enter the project name and total assigned expenditure/income for each of the categories listed: • Funding by project • Halted Project Revenue • Disallowed Project Revenue • NIC Royalties Revenues by project • NIC Directly Attributable costs

• NIC Retained Royalties Revenues by project
Specific definitions for this worksheet
None

Table 8.9 – Strategic Innovation Fund

Purpose and use by Ofgem
The object of SIF is to support network innovation that contributes to the achievement of Net Zero target, while delivering net benefits to energy consumers. It intends to coordinate network innovation funding with other public sector funding initiatives, thereby ensuring greater flexibility and strategic alignment in innovation funding and eliminating both unnecessary duplication and funding gaps
Instructions for completion
NGT should input details of each SIF project it receives funding providing the outturn and forecast expenditure for RIIO GD2. The different SIF categories are all defined in the SIF Governance Document.[5] • SIF revenue and cost associated with the following categories should be input: • SIF Halted Project Revenues • SIF Disallowed Expenditure • SIF Royalties by project • SIF Directly Attributed Costs • SIF Returned Royalty Income by project • Retained SIF Royalties by project
Specific definitions for this worksheet
None

Table 8.10 - Re-opener application pipeline Log

Purpose and use by Ofgem
This table records information relating to all future Re-opener applications. The information is to be forecast as far as is reasonably practicable and with a particular emphasis on providing accurate information for Re-openers due to be submitted within the next 12 months.

[5] SIF Governance Document: https://www.ofgem.gov.uk/publications/sif-governance-document

Before completing the table licencees should refer to our Re-opener Guidance and Application Requirements document and our Indicative Re-opener Application Assessment Process document.

This table will be used by Ofgem primarily for ongoing monitoring and resource planning purposes including pre-application engagement with licencees. This will facilitate timely decision making once Re-opener applications have been received.

In addition the table will be used to source the estimated value of the adjustment to baseline allowances which will feed into the relevant Re-opener Price Control Financial Model (PCFM) Variable Value and will be reflected in its allowed revenue at the next Annual Iteration Process.

When a decision is made to adjust allowances, the decision will supersede the forecast information that was previously taken from the Re-opener application pipeline log, and any differences between the forecast Re-opener allowances and the final decision will be trued up within the PCFM with an appropriate time value of money adjustment.

The Re-opener application pipeline log includes an option for the licensee to select if they do or do not wish for the forecast adjustment to baseline allowances for each relevant Re-opener to feed in to the Re-opener Variable Value in the PCFM; for example if the project or costs are too uncertain at the point in time the Re-opener application pipeline log is submitted.

Instructions for completion

Input information as indicated by the yellow shaded boxes on the table.

- Project Name: Where individual projects or programs are to be submitted, for separate assessment under the same mechanism each should be assigned a unique name. This will be used by Ofgem during future engagements. A separate row should be used to submit information on each individual project.
- Forecast Submission Date: In those instances where there is no defined application window a forecast month and year of submission should be input. This informs Ofgem as to when future applications might be expected.
- To be used in PCFM? Yes/No: Select Yes/No from the drop-down menu. This informs Ofgem if the licensee wishes for the potential value of adjustment to baseline allowances specified by the licensee in the Re-opener application pipeline log for a relevant Re-opener to feed into the Re-opener Variable Value in the PCFM.
- Probability of Submission High/Medium/Low: Select High/Medium/Low from the drop-down menu as appropriate.
- Forecast Expenditure. For each regulatory year a forecast expenditure figure is required. This should be reported in £m 2018/19 price base. For those Re-opener mechanisms which are subject to the Opex Escalator (Special Condition 3.18) only

Direct Costs should be included. For all other mechanisms both Direct and Indirect Costs should be included. These values will feed into the relevant Re-opener PCFM Variable Value if 'Yes' has been selected in the 'To be used fin PCFM?' column.

In each of the free text boxes which follow reference may be made to additional commentary if the licensee prefers to add greater detail in a separate document alongside the Re-opener application pipeline log. It is recognised that certain information with respect to Re-opener applications in future years may not be available. More detail should be provided where the Re-opener application is expected to be submitted in the next 12 months.

- Trigger for Submission / Needs Case: A free text box for a brief description of the trigger / needs case for seeking additional allowances for example a change in specific policy / regulations / legislation or necessary capital expenditure not funded in baseline allowances.
- The text may refer to additional commentary if the licensee prefers to add greater detail in a separate document alongside the Re-opener application pipeline log.
- Option Selection Methodology: A free text box for a brief description of the methodology used to justify the selection of the preferred option. Whether by use of Cost Benefit Analysis, Engineering Justification Process or some other appropriate methodology.
- Preferred Option: A free text box for a brief description of the preferred option.
- Forecast Expenditure Justification Methodology: A free text box for a brief description of the methodology that will be used to justify the level of additional funding requested, for example benchmarking, tendered rates.
- Broader Regulatory Issues to be Considered: A free text box for a brief description of any broader regulatory issues that Ofgem may wish to consider, for example alignment with wider policy objectives or regulatory precedent.
- Where Ofgem have provided acceptance for re-opener submissions, T2 forecast values will be input as 0. This is to avoid cost duplication on Table 3.4 because the forecast is now included in the main Totex forecast on Table 3.5 (rather than 8.10).

Specific definitions for this worksheet

None

Table 8.10a – Other Re-opener application pipeline Log (TO)

Purpose and use by Ofgem

This table is related to the information contained in table 8.10 `Re-opener Pipeline log` and is intended to collate a breakdown of individual projects in greater detail to assist Ofgem with Re-opener application pipeline planning.
Instructions for completion
The fields to be completed as follows: • Re-opener mechanism • Project name: breakdown of individual projects even if under the same re-opener • Description of project including brief description of driver for project and any interdependencies • Likely date • Project start date: the actual date of physical work • Project end date • Planned submission date • Scope of submission : needs case, options and costs • Probability of submission: low, medium, high • Has there been recent engagement with Ofgem on the project ?: some details on the nature of engagement and detail Ofgem colleague. • Lifetime cost (£m): Sum of all costs related to a project over its lifetime including beyond RIIO 2 period.
Specific definitions for this worksheet
None

Table 8.10b– Other Re-opener application pipeline Log (SO)

Refer to Table 8.10a for guidance

Table 8.11 – Net Zero and Re-opener development UIOLI

Purpose and use by Ofgem
The purpose of this table is to record funds claimed from the Net Zero and re-opener development fund use it or lose it allowance (UIOLI). This UIOLI is to enable network

companies to fund small net zero facilitation projects and allow early development work on projects that network companies intend to bring forward at a later stage.
Instructions for completion
Under the project category select either: • Small net zero facilitation capital projects • Early development work Insert the project name and reference For Project Status provide the risk status of the project. A fuller narrative providing description of the project including when any outputs are expected to be realised should be provided in the strategic commentary. Small net zero facilitation projects are low and no regret projects that have a high net zero impact but are not captured by any other mechanism and Early development work covers projects that network companies may bring forward through a re-opener but which are not funded elsewhere in the price control. The narrative reference should provide a brief description of the project including when any outputs are expected to be realised.
Specific definitions for this worksheet
None

Table 8.12 –Directly Remunerated Services

Purpose and use by Ofgem
The purpose of this table is to collect information relating to Directly Remunerated Services provided by the gas transporter business by type of service.
Instructions for completion
Costs should be input as positive values. The description of services being provided should match those used in the Revenue part of RIGs for the income received. It may be that some services have no identifiable costs. If consented and de Minimis services are reported outside of the GT business, please do not complete the information but state this in the narrative. Costs must be reported as per the below sub-categories which are derived from the licence: 1) Connection services DRS1 2) Diversionary works under an obligation DRS2 3) Works required by any alteration of premises DRS3

4) Telecommunications and information technology infrastructure services DRS4 5) Emergency services DRS6 6) PARCA activities DRS7 7) Miscellaneous DRS15
Specific definitions for this worksheet
None

9. Instructions for completing the Gas System Operator worksheets

Section summary

The purpose of this chapter is to inform the completion of the gas system operator worksheets by the SO. This is to enable Ofgem to effectively monitor the performance of the gas transmission system operator against the gas system operator incentive schemes.

Introduction

9.1. The purpose of the worksheets in this area is to report data on the performance of the System Operator against the Gas System Operator Incentives. This data is to enable Ofgem to monitor performance and revenues under the incentive scheme.

9.2. In addition to annual returns, we require the System Operator to provide us with the following information:

- A quarterly data pack, to be submitted five weeks after the end of each quarter, provided in the same worksheets format outlined in this chapter;
- A monthly written report, to be provided one week after the end of each month, providing a qualitative summary of its performance during the month including (but not limited to):
    - flagging any substantial variations in cost or incentive performance against the incentive targets;
    - details of any substantial variation and a commentary on why this has occurred e.g. changes to market conditions, a one-off event, etc;
- A quarterly written report, to be submitted five weeks after the end of each quarter, including a general System Operator report, providing qualitative analysis of its performance during the quarter concerned including:
    - an overview of its performance against each incentive;
    - a discussion of any changes to market conditions which may be affecting the System Operator's costs/role;
    - an explanation of any significant changes in System Operation costs/actions; and
- Presentations to Ofgem (as requested by Ofgem and on dates to be agreed between Ofgem and the System Operator) to highlight the main points relative to the System Operator's performance over the relevant period as specified by Ofgem. Such presentations will not be required at intervals shorter than a month.

9.3. Only the annual submission must be accompanied by a letter signed by a director on behalf of the licensee confirming that the data is accurate and has been provided in accordance with the RIGs. Other more frequent submissions should nonetheless have an appropriate level of management oversight and licensees should submit accurate figures of their data for the relevant period. Where indicated (normally for annual returns only) licensees should provide audited figures. We note that some values in this section may be negative values owing to the nature of information required. Further guidance is provided below.

Overview of worksheets

9.4. The worksheets included in this chapter are:

- 9.1 Operating Margins
- 9.2 NTS shrinkage (revenue)
- 9.3 NTS shrinkage (prompt)
- 9.4 NTS shrinkage (gas trades)
- 9.5 NTS shrinkage (electricity trades)
- 9.6 Residual balancing data
- 9.7 Demand forecasting overview
- 9.8 Demand forecasting adjustment
- 9.9 Demand forecasting data
- 9.10 Greenhouse gas incentive revenue
- 9.11 Greenhouse gas venting data
- 9.12 Maintenance incentive revenue

Specific Instructions

Table 9.1 – Operating margins cost report

Purpose and use by Ofgem
The purpose of this table is to collect information about the cost of Operating Margins, including details of Operating Margins Purchasing Activities, including details of Operating Margins Purchasing Activities
Instructions for completion
The relevant term is defined in Special Condition 5.6.
Specific definitions for this worksheet
None

Table 9.2 – NTS shrinkage reporting

Purpose and use by Ofgem
The purpose of this table is to collect information in relation to shrinkage procurement, costs and volumes.
Instructions for completion
The relevant term is defined in Special Condition 5.6.
Specific definitions for this worksheet
None

Table 9.3 – NTS shrinkage (prompt volume and price targets)

Purpose and use by Ofgem
The purpose of this table is to collect information relating to Prompt gas volume and benchmark costs in relation to Shrinkage performance.
Instructions for completion
The relevant term is defined in Special Condition 5.6.
Specific definitions for this worksheet
None

Table 9.4 – NTS shrinkage (gas trades analysis)

Purpose and use by Ofgem
The purpose of this table is to collect information relating to underlying gas trades taken in relation to Shrinkage.
Instructions for completion
Data relating to trades should be entered as indicated in the worksheet. In this worksheet where appropriate values should be provided in £ figures and not £ million figures displayed to one decimal place.
Specific definitions for this worksheet
None

Table 9.5 – NTS shrinkage (electricity trades analysis)

Purpose and use by Ofgem
The purpose of this table is to collect information relating to underlying electricity trades taken in relation to Shrinkage.
Instructions for completion

Data relating to trades should be entered as indicated in the worksheet. In this worksheet where appropriate values should be provided in £ figures and not £ million figures displayed to one decimal place.
Specific definitions for this worksheet
None

Table 9.6 – Residual gas balancing daily PPM and daily LPM incentive performance

Purpose and use by Ofgem
The purpose of this table is to collect data in relation to the Daily Price Performance Measure (PPM) and Daily Line pack Performance Measure (LPM) and the resulting daily Incentive Payments in accordance with the Residual Gas Balancing Incentive This table also reports cumulative daily, monthly and final incentive revenues in relation to the Residual Gas Balancing Incentive.
Instructions for completion
In this worksheet where appropriate values should be provided in £ figures and not £ million figures displayed to one decimal place. The relevant term is defined in Special Condition 5.6.
Specific definitions for this worksheet
None

Table 9.7 – Demand forecasting (D-1) incentive report overview

Purpose and use by Ofgem
The purpose of this table is to report the daily incentive revenues and performance under the day ahead Demand Forecasting Incentive.
Instructions for completion
The relevant term is defined in Special Condition 5.6.
Specific definitions for this worksheet
None

Table 9.8 – Demand forecasting adjustment

Purpose and use by Ofgem
The purpose of this table is to report on the calculation of the Demand Forecasting Storage Adjustment, which informs the performance target for the Demand Forecasting incentive.
Instructions for completion
The relevant terms and algebraic calculation is defined in Special Condition 5.6.
Specific definitions for this worksheet

None

Table 9.9 – Demand forecasting report (D-2-D-5 overview)

Purpose and use by Ofgem
The purpose of this table is to report performance in day 2 to day 5 Demand Forecasting.
Instructions for completion
The relevant term is defined in Special Condition 5.6.
Specific definitions for this worksheet
None

Table 9.10 – Greenhouse gas emissions incentive report (revenue)

Purpose and use by Ofgem
The purpose of this table is to report performance and incentive revenue against the Greenhouse Gas Emissions Incentive.
Instructions for completion
All relevant terms are defined in Special Condition 5.6. Data should be consistent with the System Operator's Greenhouse Gas Emissions Calculation Methodology[6] (as required under Special Condition 5.6). For the avoidance of doubt, Ofgem considers "accepted greenhouse gas accounting and auditing principles" specified in Special Condition 5.6 to be consistent with those set out in Chapter 10 of the GHG protocol, "The Greenhouse Gas Protocol, A Corporate Accounting and Reporting Standard Revised Edition" which can be found at Corporate Standard | GHG Protocol
Specific definitions for this worksheet
None

Table 9.11 – Greenhouse gas emissions venting data

Purpose and use by Ofgem
The purpose of this table is to provide a breakdown of information about venting by vent type in relation to the Greenhouse Gas Emissions Incentive.
Instructions for completion
All relevant terms are defined in Special Condition 5.6. Data should be consistent with the System Operator's Greenhouse Gas Emissions Calculation Methodology (as required under

[6] Special Condition 8H requires that the Greenhouse Gas Emissions Calculation Methodology should be verified by an Independent Examiner.

Special Condition 5.6). For the avoidance of doubt, Ofgem considers "accepted greenhouse gas accounting and auditing principles" specified in Special Condition 5.6 to be consistent with those set out in Chapter 10 of the GHG protocol, "The Greenhouse Gas Protocol, A Corporate Accounting and Reporting Standard Revised Edition" which can be found at http://www.ghgprotocol.org/standards/corporate-standard
Specific definitions for this worksheet
None

Table 9.12 – Maintenance incentive report

Purpose and use by Ofgem
The purpose of this table is to collect information in relation to the Maintenance Incentive, and reporting on maintenance and operational planning. The maintenance incentive is to reward NGT's System Operations to efficiently plan network maintenance at direct exit connections from the NTS. This minimises the impact of NGT's maintenance work on customers to minimise disruption their sites' operation.
Instructions for completion
All relevant terms are defined in Special Condition 5.6. The yellow highlighted boxes on the table should only be filled in on an annual basis rather than forecasting each month. The tables to complete are for: - Maintenance Change Incentive: This table provides data on changes to customer-impacting maintenance after 1st April, including delayed starts, extensions and cancellations. - Maintenance Days Incentive (RVO): This table provides data on the use of Maintenance Days to facilitate annual routine valve operations (RVOs) impacting customer sites. - Maintenance Days Incentive (non-RVO): This table provides data on the use of Maintenance Days to facilitate outages affecting customer sites excluding RVOs - In-Line Inspection Reporting: This table summarises the in-line inspections (ILIs) which have taken place within the reporting year, including the start date, whether it was short (< 10km) or long (> 10km), the total run length, and the run duration (number of days) - Outage work undertaken (Reg Year) completed under notice: This table contains a breakdown of the number of individual jobs requiring advice or maintenance notices by job type, and the total number of maintenance and advice notice days associated with those notices.

- Changes to outage work under notice: This table contains a breakdown of the Change Incentive table by job type, with further information on whether the job was extended, replanned within year or cancelled.
Specific definitions for this worksheet
None

Appendices

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Appendix 1

Glossary and definitions

1.1. The purpose of this appendix is to provide definition of the terms included in these instructions and in the associated.

1.2. Most definitions apply to specific tables and therefore are included as part of the table instructions for completion, this appendix provides definitions that cover more than one table and more general definitions. Any word or expressions used in the Utilities Act 2000, Electricity Act 1989, the Energy Act 2004, or standard or special licence conditions of the electricity transmission licence shall have the same meaning when used in these rules, similarly for standard accounting terms, IFRS/IAS and/or UK GAAP and Companies Act 2006 definitions should be applied.

1.3. In the circumstance where no definition is given, the licensee should include in explanatory notes details of the treatment it has applied, and should inform The Authority of the omission. Where a definition set out in this appendix is not the same as that applied by a licensee for other purposes, the definition set out herein must be used in the preparation of the RIGs templates.

1.4. Except where the context otherwise requires, any reference in this appendix or in the RIGs to a numbered standard or special condition (with or without a letter) or Schedule is a reference to the standard or special condition (with or without a letter) or Schedule bearing that number in the electricity transmission licence, and any reference to a numbered paragraph (with or without a letter) within such a standard or special condition is a reference to the paragraph bearing that number in the standard or special condition or Schedule of the electricity transmission licence in which the reference occurs, and reference to a Section is a reference to that Section in the standard or special conditions of the electricity transmission licence.

Alphabetical list

A

Accounting costs

Costs as per statutory or regulatory accounts before any adjustments for non controllable costs and atypical, provisions etc.

Accruals and Prepayments

For the purpose of determining what amounts should be excluded as non cash items. These are only those items that are not incurred as part of the ordinary level of business activities and would be atypical. Normal business activities include, normal trade accruals and prepayments and holiday pay provisions.

Affiliate IDNO
An independent distribution network operator owned by the group and operating within the group's own electricity distribution network area

Annual iteration Process

The annual iteration process is the process of annually updating the variable values in the Price Control Financial Model (PCFM) and running the PCFM calculation functions in order to provide updated Allowed Revenue (AR_t) for a licensee, see Chapter 2 in Price Control Financial Handbook (PCFH).

B

BT 21 CN Teleprotection

Opex costs incurred as a result of the BT21CN transition

C

Calorific Value (CV)
The measurement of the amount of energy contained in dependant on the composition of the gas.
Capital Expenditure (Capex)
Expenditure on investment in long-lived transmission assets, such as gas pipelines or electricity overhead lines.

Capex Allowance
The assumption for capital expenditure requirements included in the RIIO-GD2 Price Control Review: Final Proposals (December 2020) to calculate allowed revenue.

Capacity
Capacity gives a shipper an entitlement to flow gas onto the National Transmission System (NTS). Capacity is often referred to as 'rights' or 'entitlements'. A shipper needs to buy one unit of capacity in order to flow one unit of energy onto the system. This is known as the 'ticket to ride' principle. Units for both capacity and energy are in kWh/day.

Cash Controllable Costs

The normal ongoing cash operating costs, excluding non-recurring / one off costs that are controllable by the transmission company.

Change in market value of investments

The change in the market value of a schemes investments over a period where the approach used to assess the market value of an asset is the same as the approach used for the purposes of a triennial valuation

Closely Associated Indirect Costs

Costs that support the operational activities. Closely associated indirect costs includes network policy (including research and development), network design and engineering, engineering management and clerical, wayleaves administration, control centre, system mapping and health and safety functions.

Constraint Management
The Constraint Management Incentive encourages National Gas to efficiently manage any capacity constraint risk which arises when obligated capacity release levels exceed the physical capability of the NTS, and to release additional capacity beyond these obligated levels.

Customer / Capital contributions

Financial contribution received from / repaid to a customer in respect of the provision of a new connection to the transmission network.

D

Demand

The amount/volume of gas that is directly offtaken from the National Transmission System (NTS) by our customers.Demand Forecast
the amount of gas that is expected to be delivered through the NTS for the given Gas Day at the time of the forecast.

De Minimis

The activity of conducting de minimis business, ie non-transmission activities, which are subject to the limitation provided for in standard licence condition B6 Paragraph 4.

Direct Costs

Opex relates to the activities required to maintain and operate the transmission networks. Direct Opex can be divided into planned work largely associated with maintenance tasks that are driven by asset management policies and technical standards, and unplanned work driven largely by faults on the network.

Directly Attributable Costs (Network Innovation)

The costs of maintain and managing Foreground Intellectual Property Rights (IPR)

E

Excluded services

Has the meaning given in the relevant special licence condition.

Entry Capacity

Gas can enter the National Transmission System (NTS) from a variety of points. Each point of entry requires capacity to be booked for the gas that is coming in.

Exit capacity

Exit capacity gives shippers the right to take off the National Transmissions System (NTS). Capacity is often referred to as rights or entitlements. A shipper needs to buy one unit of capacity in order to flow one unit of energy. This is known as the 'ticket to ride' principle. Units for both capacity and energy are in kWh/day.

F

Fault Repairs

Repair of system assets which have unexpectedly failed to operate as expected.

Full Time Equivalent (FTE)

The number of normal hours worked by an employee divided by the normal hours of a full-time member of staff in an equivalent role according to his or her contract of employment.

G

Gas supply

The amount/volume of gas that enters the NTS system i.e. from UK Continental shelf/Norwegian Pipelines/LNG etc.

GDN
Gas distribution network

GWh – Gigawatt hours abbreviated to gWh, is a unit of energy representing one billion (1,000,000,000) watt hours and is equivalent to one million kilowatt hours.

I

Industrial Emissions Directive
The Industrial Emissions Directive (IED) is a piece of European Union legislation aimed at regulating the environmental impact of industrial activities and came to force in 2010. It integrates and replaces several previous directives concerning industrial emissions. The main goal of the IED is to achieve a high level of protection for the environment and human health by reducing emissions from industrial installations. It sets out requirements for permitting, monitoring, and controlling emissions from a wide range of industrial activities, including energy production, waste management, chemical manufacturing, and other industrial processes.

Inline Inspections (ILI)
Technique used to assess the condition of damage within pipelines.

Investment income
The income received on pension scheme assets, net of investment management fees where it is deducted from investment income.

Investment management expenses

Any pension scheme investment management expenses which are charged separately or have not been implicitly allowed for in the "Change in market value of investments" item or as a deduction from the "Investment income" item.

K

Kw/H Kilowatt Hour
The basic unit of electric energy usage over time. One kilowatt-hour is numerically equal to 1000 watts used for one hour.

L

Large Combustion Plant Directive

The Large Combustion Plant Directive (LCPD) is a European Union directive which requires member states of the European Union to legislatively limit flue gas emissions from combustion plant having thermal capacity of 50 MW or greater. The directive applies to fossil-fuel power stations, and other large thermal plant such as petroleum refineries and steelworks. The aim of the LCPD is the regulation of emissions to air from large combustion plants (LCPs)

Linepack

The amount of gas within the National Transmission System (NTS) at any time is known as 'linepack'.

Linepack Performance Measure (LPM)

Linepack as per above is a term to describe the physical quantity of gas in the NTS at a point in time and is measured at specific times of day. The Linepack Performance Measure (LPM) incentivises National Gas to minimise differences in the linepack measured at the start and the end of the gas day. This is to help ensure that any imbalances are resolved on the same day and the costs of resolving such system imbalances are levied to those users responsible.

Load related capex

The installation of new assets to accommodate changes in the level or pattern of electricity or gas supply and demand.

Low risk assets

Assets where the focus is on protecting capital and gaining a modest return (e.g. gilts).

M

Medium Combustion Plant Directive

The Medium Combustion Plant Directive (MCPD) is a European legislation aimed at regulating emissions from medium combustion plants, specifically targeting pollutants such as sulphur dioxide (SO2), nitrogen oxides (NOx), and dust. It fills a regulatory gap between large combustion plants (> 50 MWth) and smaller appliances (< 1 MWth). The directive applies to plants with a rated thermal input between 1 MWth and 50 MWth and is part of the EU's Clean Air Policy.

N

Network Innovation Allowance (NIA)

The Gas Network Innovation Allowance is a dual-purpose set allowance that provides an opportunity to develop innovation programmes across the gas industry that focus on the energy transition and vulnerable customers.

Network Innovation Competition (NIC)

The NIC is an annual opportunity for network companies to compete for funding for the development and demonstration of new technologies, operating and commercial arrangements.

National Transmission System (NTS)

The high pressure gas system of Great Britain.

Network rates

Prescribed rates levied on the transmission network assets as determined and set by the Valuation Office Agency (VOA) in England and Wales Electricity Supply Industry (Rateable Values) (England) Order 2005 and Scottish Assessors Association (SAA) in Scotland.

NIA Allowable Expenditure

NIA Allowable Expenditure is the total expenditure that can be recovered from the NIA. It includes Bid Preparation Costs and Eligible NIA Expenditure.

NIA Direct Benefits

Direct Benefits are the benefits of a Project accruing to the Network Licensee during the Project implementation and comprises any expenditure included within the Network Licensees Business Plan for RIIO-T1 that will be saved as a result of undertaking the Project.

NIA Eligible Expenditure

Means the amount of expenditure spent or accrued by the Network Licensee in respect of Eligible NIA Projects and forms part of Allowable NIA Expenditure as set out in Part B of the NIA Licence Condition.

NIA Unrecoverable Project Expenditure

Means expenditure on a NIA Project the Authority has determined does not satisfy the requirements of the NIA governance document.

Network Innovation Competition
The Network Innovation Competition (NIC) is an annual initiative in the UK that allows electricity and gas network companies to compete for funding to develop and demonstrate new technologies, operating methods, and commercial arrangements. The goal is to help network operators understand how to provide environmental benefits, reduce costs, and maintain security of supply as the country transitions to a low-carbon econom

NIC Eligible Bid Preparation Costs

Means the amount of expenditure spent or accrued by the Network Licensee when preparing submissions for the Network Innovation Competition that appear to have been spent in such a way that satisfies the requirements of the NIA governance document as are necessary to enable the projects to be funded under the provisions of this condition.

NIC funding

Funding received from customers via the NTS Operator for Eligible NIC projects. The NIC funding amount will be directed by the Authority in accordance with the NIC governance document.

NICF

The amount directed by the Authority to be recovered by National Grid Gas on behalf of all gas distribution and transmission licensees.

Non Load Related Capex
This comprises of expenditure required to replace or refurbish existing primary (e.g. pipelines, compressor sites, entry/exit points, etc) and secondary (e.g. gas generators, exhausts, pig traps, isolation valves, etc) assets on the network. It also include expenditure relating to areas such as the reduction of direct emissions from the operation of the NTS, network resilience, and physical security.
Non-operational capital expenditure

Non-Lead (Asset Health)
Spend that is attributed to work on non gas conveying assets (e.g. a pipeline support that does not transport gas)

Non Operational Capex

Non-operational capex are investment in assets that does not directly relate to transmission operations. Costs in this area includes IT projects, costs associated with vehicle fleets and property expenditure.

Non-TIM

Cost not subject to the Totex Incentive Mechanism, such as pass through costs.

Non – Transmission

Costs attributable to activities other than transmission e.g. Non regulated.

Non Controllable Costs

Costs not deemed to be controllable by the transmission business, transmission licence fees, and network rates

O

Operational Property Management

Premises which contain network assets and are not maintained for accommodating people e.g. Substations, Boiler Stations, Holder Stations, Compressor Stations, and Governor Houses etc.

Other Capex

Other capital expenditure refers to the key costs that relate to cyber and physical resilience investments.

Other Indirect Costs

These costs include quarry and loss which are cash payments and provision movements relating to quarry and other loss of development claims. Opex cyber and physical resilience costs are also captured in this cost category.

Outputs

These are the outputs agreed at the time of setting the RIIO-GT2 price control for meeting the needs of consumers and network users, maintaining a safe and resilient network and delivering an environmentally sustainable network.

P

Pension Deficit Payments relating to Established Deficit

Established deficit means the difference between the assets and liabilities, determined at any point in time, attributable to pensionable service up to 31 March 2012 and relating to regulated business activities under our second Pension Principle. The term applies equally if there is a subsequent surplus.

Physical Security Expenditure

This refers to costs incurred, or expected to be incurred, by the licensee for the purposes of implementing any formal recommendation or requirement of the Secretary of State to enhance the physical security of any of the sites within the licensee's Transmission System.

Planned Inspections and Maintenance

Visual checking of the external condition of assets, including helicopter and foot patrols; and reading gauges (Inspections). Maintenance is an activity that is performed purposely and regularly in order to prevent physical assets from deteriorating or breaking down such that they continue to perform in accordance with manufacturers' recommendations.

Price Performance Measure (PPM)
The Price Performance Measure (PPM) evaluates the impact National Gas has on the market in its residual balancing role. This is achieved by measuring the difference between the highest and lowest price of our trading actions for a gas day, as a percentage of the System Average Price (SAP). This incentivises NGT, as Gas System Operator, to minimise the impact it has on market prices.

PSSR
Pressure System Safety Regulations is the health and safety regulation for pressure systems containing 'relevant fluids' within the workplace. This refers to steam, any fluid mixture which is at a pressure of >0.5bar above atmospheric and gas dissolved under pressure in a solvent.

Q
Quarry and Loss of Development

Claims under the terms of the Deed of Easement. These include; loss of crop and drainage; loss of land development (e.g. housing, quarrying etc.; sterilised minerals; landfill and tipping; and power generation).

R
RAV

Regulatory Asset value

Related party

Is an affiliate, a joint venture of the licensee or of an affiliate or an associate of the licensee or of an affiliate or a relevant associate of the licensee.

Related Party Margins

The profit or loss recorded on a transaction with an affiliate being the excess or deficit on actual direct costs and indirect costs (including financing costs) fairly attributable to the transaction or the charge and the cost of providing that transaction.

Residual Balancing

Residual balancing is a scheme that incentivises National Gas – as the System Operator (SO) and in its role as residual balancer – to balance supply and demand each gas day and to minimise impacts on the market when it is necessary to trade gas to balance the network. The incentive is based on Linepack Performance Measure (LPM) and Price Performance Measure (PPM)

Return seeking assets

The assets which may be exposed to greater risk, but where the potential return is higher than low risk assets (e.g. equities)

Royalties Revenues

Revenue earned from intellectual property generated through eligible NIC projects

Returned Royalties Income

Revenue earned from intellectual property generated through eligible NIC projects less any Directly Attributable Costs, and that is payable to customers under the NIC, as calculated in accordance with the NIC governance document.

Retained NIC Royalties

Total royalties earned through all NIC projects to be retained by the licensee

S

Salary / staff costs

Includes: salaries and wages, national insurance contributions, overtime standby and other allowances, all ongoing pension costs and incremental deficit repair payments, share based schemes, and sick pay and sickness benefits.

Security (Armed Guards)

Refers to costs solely associated with the provision of Ministry of Defence Armed Police at designated sites.

Security (pertaining to SO)

Shall mean costs (operating and capital expenditure) for enhanced security activities as specifically directed by Department for Business, Energy and Industrial Strategy ("BEIS") or the Centre for the Protection of National Infrastructure ("CPNI") pursuant to Special Licence Condition XXX. These costs are subject to an uncertainty mechanism.

Shrinkage
Shrinkage on the National Transmission System refers to gas which is lost from the system, as well as the energy consumed in operating the network i.e. the energy used to run compressors (Compressor Fuel Usage), energy that does not satisfy the Calorific Value standards (Calorific Value Shrinkage), and energy that is lost or unaccounted for (Unaccounted for Gas).

SO
The System Operator is responsible for keeping the National Transmission System operating safely, reliably and efficiently, balancing supply and demand on the network and ensuring safe operating pressures are maintained within the pipes.

SpC
Special licence condition

Strategic Innovation Fund (SIF)
The Strategic Innovation Fund (SIF) provides funding for larger scale demonstration projects and enables their development through several separate project phases – Discovery, Alpha and Beta. This funding is determined by annual challenges which focus on encouraging cross industry collaboration.

T

TIRG

Transmission Investment for Renewable Generation

TIM

Totex incentive mechanism

Totex

See Appendix 2

Transmission Licence Fee

Net payments by the licensee to the Authority determined in accordance with the standard license conditions. Payments made to the Authority in respect of the licence fee should be included net of any credit notes relating to that regulatory year[7].

TII

Transmission Investment Incentive

V

Vegetation Management

The activity of physically felling or trimming vegetation.

[7] Further detail on the license fee cost recovery principles can be found in the following document available on the Ofgem Website: Licence fee cost recovery principles 2021 | Ofgem

Appendix 2

Definition of Totex

1.5. The annual net additions to RAV will be calculated as a percentage of Totex. Totex consists of all the expenditure relating to a licensee's regulated activities except for:

- all costs relating to de minimis activities;
- all costs relating to excluded services activities (except for capex relating to sole use exit connections);
- pension deficit repair payments relating to the established deficit and for the avoidance of doubt, all unfunded early retirement deficiency costs (ERDC) post 1 April 2004;
- Pension Scheme Administration and PPF levy costs;
- costs associated with specific incentive schemes (to include TPCR3 or TPCR4 entry and exit revenue drivers, Network Innovation Competition and Network Innovation Allowance costs);
- all statutory or regulatory depreciation and amortisation;
- profit margins from related parties (except where permitted as defined below);
- costs relating to rebranding NGT's assets or vehicles following a name or logo change;
- fines and penalties incurred by the licensee (including all tax penalties, fines and interest) except if, exceptionally Traffic Management Act costs can be shown to be efficient;
- compensation payments made in relation to standards of performance;
- bad debt costs and receipts (subject to an ex post adjustment to allowed revenues);
- any costs relating to the SO for external purposes (ie balancing services activity)
- any cost reporting which is not on a normal accruals basis as referred to in paragraph 1.6 above (for the avoidance of doubt, accruals to recognise the present value obligation to the defined benefit pension scheme (in accordance with International Accounting Standard 19) are excluded from totex);
- costs in relation to pass-through items, including business rates (except for business rates on non-operational buildings);
- interest, other financing and tax costs8 (except for business rates on non-operational buildings and stamp duty land tax); and

[8] Tax costs include corporation tax, capital gains tax, recoverable valued added tax and network rates

- any costs or Legal fees incurred relating to an application for a Judicial Review or an appeal to the CMA in respect of a decision made by Ofgem.[9]

1.6. It should also be noted that:

- any change in the Totex amount for the licensee under the Totex Incentive Mechanism (TIM) is included as an adjustment to fast/ slow money;
- pension deficit repair payments relating to any incremental deficit (ie not part of the established deficit) are considered to be part of the licensee's labour costs and as such are part of Totex; and
- customer contributions (which mainly relate to connection works) and other proceeds received (including from legal and insurance claims) that relate to the transmission business are treated as an offset to Totex expenditure, unless specifically subject to different treatment under the RIGs.

1.7. For avoidance of doubt, in each case normal ongoing pension service costs will follow employment costs in each activity to RAV.

1.8. Costs added to RAV are all intended to refer to costs incurred by the licensee or a related party of the licensee undertaking regulated business activities. Where those costs are recharged to the licensee, they should not include any internal profit margins of the licensee or related party, except where permitted. The treatment of related party margins is set out in paragraphs 1.22 to 1.27 below.

1.9. For the avoidance of doubt, costs that are eligible for a reopener mechanism will follow the Totex treatment as set out above at the time they are incurred.

[9] Notwithstanding the above, Ofgem shall pay all legal fees and cost awarded against it by the Judicial review body and the CMA.

Appendix 3

Related party transactions

1.1. The purpose of this appendix is to provide definitions around related party transactions

Related party costs

1.2. Related party costs are only included within Totex to the extent they represent the cost of services required by the licensees business. Costs for services recharged to the licensee by a related party will only be admissible if the licensee would otherwise have needed to carry out the service itself or procure it from a third party. We expect these services and associated costs to be itemised and justified. Such costs are only included to the extent that they satisfy the criteria regarding the prohibition on cross-subsidy in the relevant Standard or Standard Special Licence Condition unless licensees already hold derogations.

1.3. All companies and related parties charging the licensee should be able to demonstrate they have a robust and transparent framework governing the attribution, allocation and inter-business recharging of revenues, expenses, assets and liabilities. There should be documented procedures to demonstrate compliance with EU Procurement directives and implementing national legislation where these apply.

1.4. We expect the network company to be able to justify the charge by reference to external benchmarking, or by reference to market-related testing, or tendering. We expect related parties to be able to support their charges by either service level agreements or contracts; and that such contracts would be finalised on a timely basis and not remain in draft for an unreasonable period .

1.5. The attribution of costs relating to shared services must be on a demonstrably objective basis, not unduly benefiting the regulated company or any other company or organisation and be based on the levels of service or activity consumed by each entity. We expect licensees to document the basis on which they approve these at board level and provide evidence of this together with details of how the continuing assessment and challenge, annually takes place.

1.6. The basis should be consistent from year to year and where there are changes the licensee should both document and justify them.

1.7. The method used to attribute costs from the related party to the licensee and to activities should be transparent and the revenues, costs, profits, assets and liabilities separately distinguishable from each other.

Related party margins

1.8. We will exclude related party profit margins from costs added to RAV unless the related party concerned earns at least 75 per cent of its turnover from sources other than related parties and charges to the licensed entity are consistent with charges to external customers. For this purpose, we consider an entity to be a related party if it is an affiliate or related undertaking or if that entity and the network company have any other form of common ownership. A key indicator of entities being in common ownership is that they are affiliates of the ultimate controller (or controllers where there is more than one).

1.9. Where network operators utilise captive insurance companies, these shall be excluded from the related party exclusion. We will not allow any excess losses relating to these captive insurers (to the extent that they are covered by captive insurers) to be funded by customer.

1.10. When an entity ceases to be a related party, for example on a change in ultimate controller, then from the time it ceases to be a related party its margins will be allowable, if it meets the following requirement. There must be an unambiguous demonstration that its charges to the transportation business (in the original or amended contract) remain competitive and are in line with market rates, or the contract was re-tendered and that there was more than one bidder.

1.11. Whilst not precluding other demonstrations of competitiveness, we consider that an open competitive tender is likely to be the clearest indicator. In the absence of an open competitive tendering exercise, we will seek strong evidence that the terms of any contract are competitive.

1.12. Irrespective of whether the network company demonstrates competition and they no longer disallow margins, the licensee must arrange to comply with the requirements of the relevant standard or standard special licence condition (on the maintenance and provision of information). It must continue to report the former related party's costs and margins as if it were still a related party for the remainder of the price control period. The data is required in order for us to be able to monitor performance against the price control and carry out cost analysis to inform future reviews.

1.13. Where a principal related party resource provider ceases to be a related party during a price control period, for example on the restructuring of a group, we shall continue to treat them as a related party until the end of that price control period and we will continue to disallow the margins charged. At the next price control period the margins will be allowed provided that there is unambiguous demonstration that the charges to the regulated business (in the original or amended contract) remain competitive and are in line with market rates, or that the contract is re-tendered and that there is more than one bidder.