

Developing Our Future Plans Together

Monday 27th November 2023

We will start at 11.02 to allow participants
to finish previous meetings and join the call



**national gas
transmission**

Welcome and Opening

Thank you for joining us today

- 🔥 Welcome to the start of the RIIO-GT3 conversation
- 🔥 This builds on many conversations we have had with customers and stakeholders
- 🔥 We will be engaging with you on a number of topics and value your input



Tony Nixon
Director of Regulation

Who will be speaking?



Jake Tudge
Director of Corporate
Affairs



Steve Rowe
Head of Regulatory Price
Control RIIO-GT3



Nera Lenden
Customer and Stakeholder
Specialist

Logistics



Should last around 60 minutes



Questions and polls via Teams



All attendees on mute and cameras off



Slides and recording will be circulated



A worker in a white hard hat and safety glasses is looking at a control panel in an industrial setting. The worker is wearing a high-visibility orange and yellow safety jacket. The background is blurred, showing industrial equipment and structures.

Agenda

- 01 A new organisation, with a new vision
- 02 What is RIIO-GT3
- 03 Our Business Plan and Value Proposition
- 04 Engaging with our stakeholders

A new organisation with a new vision



One organisation. Three businesses.



National Gas Transmission (NGT) is the backbone of Britain's energy system today and will play a leading role in the transition to a clean energy future that works for every home and business.



National Gas Metering (NGM) is one of the largest meter equipment managers in Britain, enabling homes and industry to access the energy they need safely and reliably.



National Gas Services (NGS) is Britain's trusted authority in pipeline repair, maintenance and intervention, providing comprehensive services for strategic gas assets.

7,630km
of pipeline

£7.99 per year
National Gas
Transmission's impact
on the consumer bill*

6.8m
gas meters managed
by National Gas
Metering

1,600+
colleagues

68
compressors at 23 compressor
sites and 500+ above-ground
installations

£7,075m
Regulated Asset
Value (RAV)

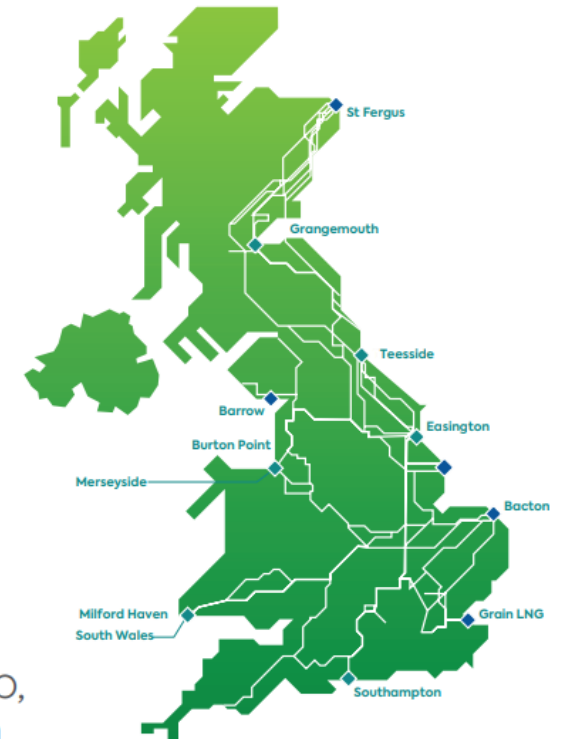
0.03 ↓
Lost Time Injury
Frequency Rate,
lowered from 0.12
in 2021/22

4.3% ↓
2022 gender pay gap,
further lowered from
5.9% in 2021/22

Customers connected
directly to the NTS

- 12 Industrial consumers
- 35 Power stations
- 9 Storage sites
- 2 Terminals
- 3 Interconnectors

National Transmission System



* In line with the Ofgem methodology for calculating network costs.

Gas fuels the UK's economy and the UK has played an important role in European gas security by acting as a "bridge to Europe" for supplies.

23m

UK homes use gas

500k

UK businesses use gas

38.4%

UK electricity generated from gas in 2022

Where did the UK's gas come from in 2022



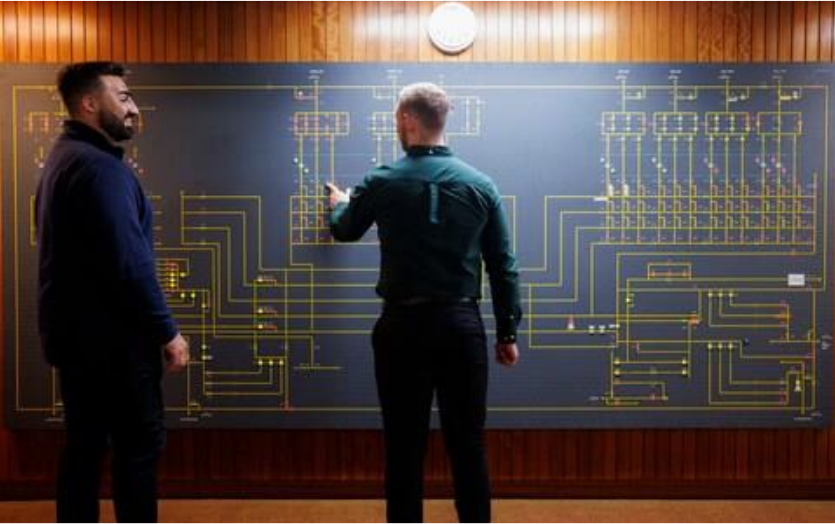
- Domestic: 42%
- Norway: 28%
- LNG: 28%
- EU imports: 0.2%
- Other: 1.8%

“Heading into winter, about **20.5 trillion cubic metres** of gas had been piped over to Europe, four times typical volumes, accounting for about **a fifth of the continent's gas stocks.**”

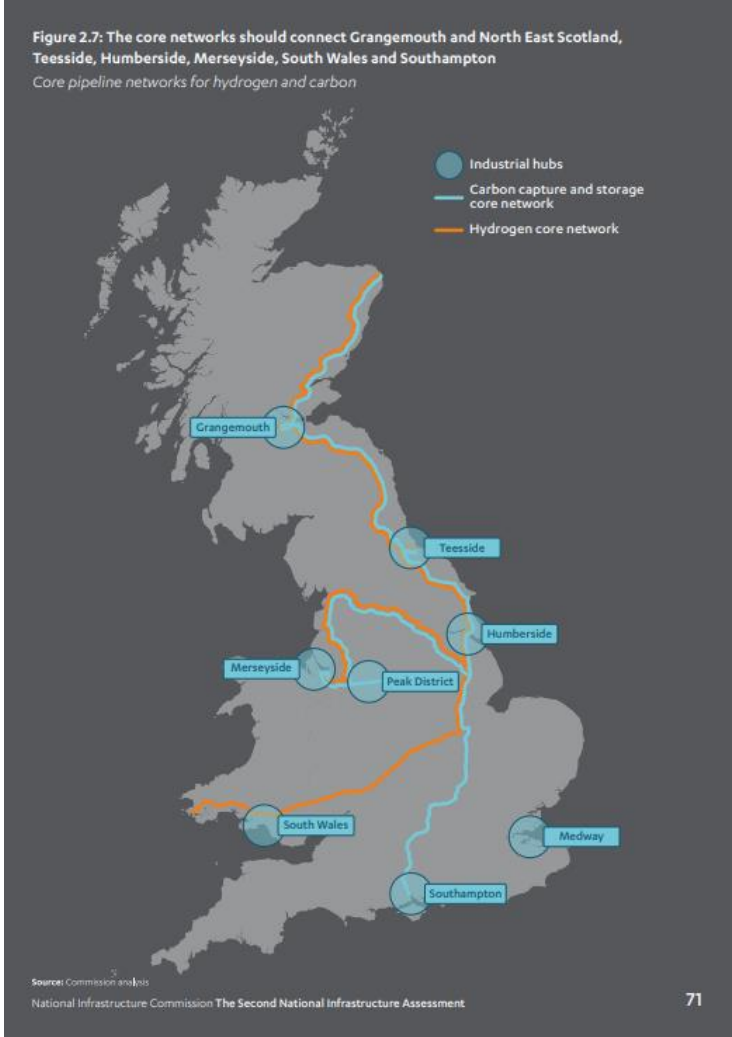
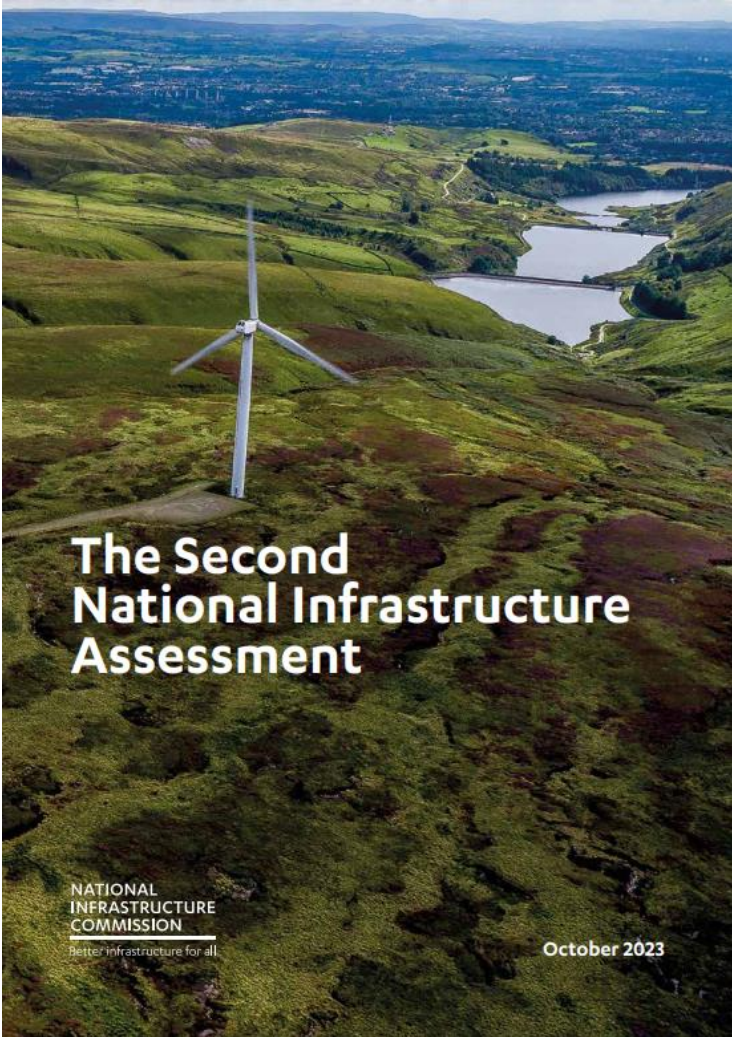
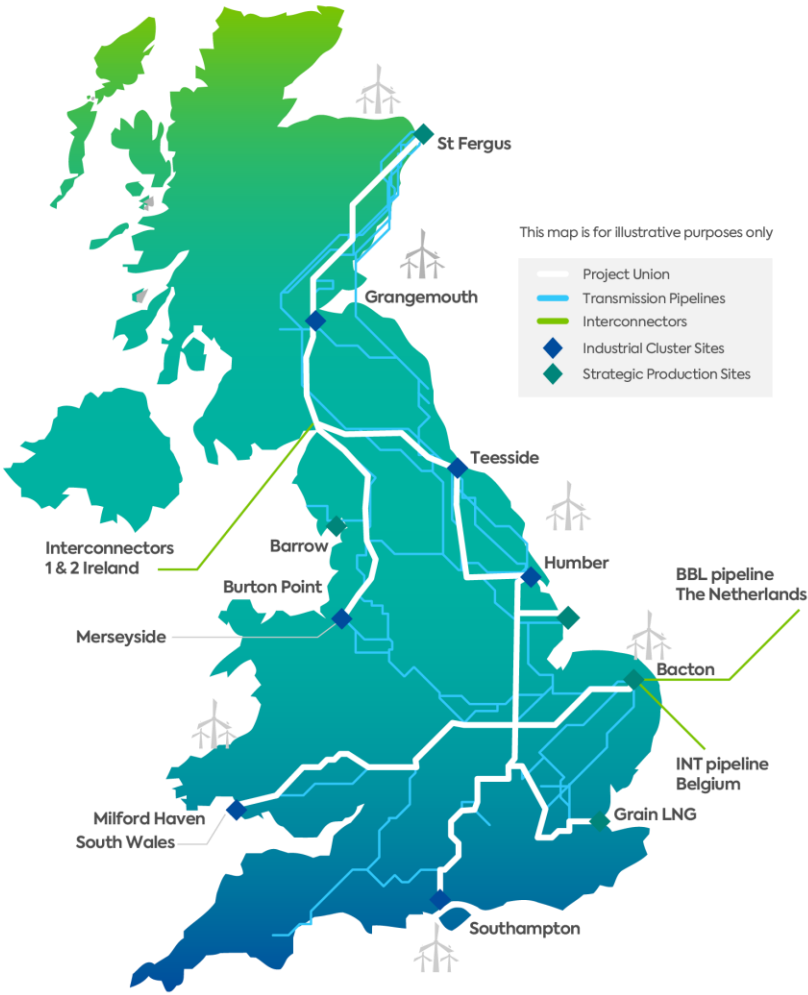
The small corner of Norfolk that helped defeat Putin's energy war

An unheralded pipeline has transformed Britain into a gas bridge to Europe

By Rachel Millard
23 April 2023 • 1:00pm



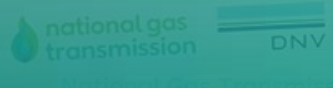
Project Union will be Great Britain's 'Hydrogen Backbone', transporting 100% hydrogen to grow the market and enable a resilient energy system.



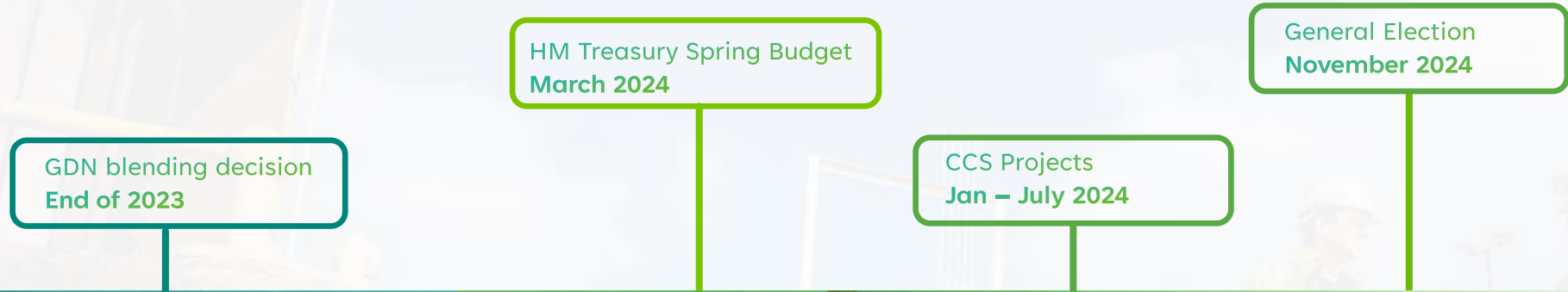


Welcome to the
FutureGrid
hydrogen test facility

10 months in...



Over the next 12 months



2023

2024

RIIO-GT3

submission

December 2024



What is RIIO-GT3



Background – RIIO-GT3 Framework

Ahead of each regulatory period, we submit a detailed Business Plan to Ofgem

Revenues

Constraint on revenue set up front to ensure:

- Timely and efficient delivery
- Network companies remain financeable
- Transparency and predictability
- Balance costs paid by current and future consumers

Incentives

Deliver outputs efficiently over time with:

- Five year control periods
- Rewards and penalties for output delivery performance
- Symmetric upfront efficiency incentive rate for all costs
- Use uncertainty mechanisms where add value for consumers

Innovation

Technical and commercial innovation encouraged through:

- Core incentives in price control package
- Option of giving responsibility for delivery to third parties
- Innovation stimulus gives support and 'prizes' for innovation, building on Low Carbon Networks Fund (LCN) fund

Outputs

- Outputs set out in licence
- Consumers know what they are paying for
- Incentives on network companies to deliver
- Outputs reflect enhanced engagement with stakeholders



How we're regulated

As the owner of the National Gas Transmission network in Great Britain, we're classed as a 'natural monopoly'. We're regulated by the energy regulator, Ofgem, which simulates the effects of competition by setting price controls – a ceiling on the amount we can earn from charges to use our network.

Ofgem Framework Decision – Key Headlines



Regulatory Framework

The regulatory framework will be an evolution of RII0-2, called RII0-GT3.



Price Control Period

The length of the price control will be five years.



Financial Framework

Continued use of single cost of capital across licensee with no differentiation between activities or projects.



Outputs, Incentives and uncertainty mechanisms

Looking to review ODI-R, NARMs remains an effective tool to deliver safety & minded to remove CVP & CDIR stages from BPI mechanism.



Scenario and Forecasting

Ofgem's preference is that a common scenario is developed and used in a consistent manner.



Strategic Planning and Investments

CSNP to provide independent assessment of gas network capability to support investment decisions [reopener mechanism to be developed to facilitate].



Enhanced Stakeholder Engagement

IUGs renamed Independent Stakeholder Groups (ISGs), which will provide challenge and scrutiny and Challenge Groups will be removed.



Innovation

Explore through the (SSMC) whether improvements can be made to the current innovation framework.



Draft Business Plan Submission

Minded to remove draft business plan submission in 2024 & Open Hearings will be removed. Call for evidence will be kept.

Ofgem Framework Decision – Next steps

Framework Decision signposted some topics / key questions that Ofgem plans to consider at the SSMC stage

RIIO-GT3 Gas Transmission Specific Working Groups

Ofgem will continue its engagement with network companies and wider stakeholders on sector specific methodology [SSMC] ahead of Dec 2023 consultation.

We continue to engage with Ofgem to help shape the future of network regulation to protect existing and future consumers and users.

Resilience	Cost assessment	Data and digital
Innovation	PCD, UMs & ODIs	Strategic Planning
Stakeholder	BPI / TIMs	Environment
Common Scenarios	Efficiency	Business Plan Guidance

Our Business Plan and Value Proposition



About RIIO-GT3 and our business plan

For each regulatory period, known as a price control period, we must submit a business plan to Ofgem, who review and assess it. The current period started on 1 April 2021 and is planned to run through 31 March 2026. You can find out more about the background of this price control on the [Ofgem website](#).

Over the past few years, we've carried out our most extensive engagement exercise to understand the priorities and future requirements of our stakeholders to shape our business plan.



You can view our RIIO-2 business plan, the executive summary and supporting information by visiting [our business plan pages](#) or by viewing our supporting videos.

Leading a **Clean Energy Future** for Everyone

Regulatory Framework

Performance related
Framework

Facilitates hydrogen
And transition to Net-Zero

Business Plan

Delivers consumer value

Exceeds Ofgem's Criteria

Ambitious plan

Stakeholder Advocacy

Plan externally supported

Exceeds Ofgem expectations

Trusted Delivery

Underlying performance story

Robust and credible delivery
plan

Our People

Passionate about the plan

Delivered together

Financial Framework

Delivers a fair return

Critical Success Factors

Leading a **Clean Energy Future** for Everyone

Regulatory Framework

Our business plan aligns with Ofgem's duties and is recognised as ambitious and delivering value

Build, own and operate the UK's future hydrogen transmission network

Deliver RIIO-1 levels of network reliability to our customers and UK consumers & customers

Sustained regulatory funding to enable delivery of core strategic ambitions & shareholder expectations

Grow the business into other areas associated with our core business

Priorities / Golden Threads



Supporting Information

Competence supporting Information must be consistent with past performance & current narrative

Engineering Justification Paper / Evidence

Business plan data & narrative templates

Cost benefits analysis template e.g. CAB, ROA

Additional evidence i.e. consultant reports

Outputs

Managing uncertainty

Expenditure

Financing our plan

Core Narratives

Stakeholder Priorities

Incentives

Our RIIO-GT3 stakeholder led plan



Regulatory Framework



Infrastructure fit for a **low-cost transition to net zero**

Consumer Priorities



I want you to deliver a **sustainable energy system**

Our Purpose



Leading a **clean energy future for everyone**

Our Values



Progress

Simplicity

Ownership

Our Priorities



Shape the energy market of the future

Drive environmental and community impact

Deliver sustainable value for customers and stakeholders

Invest in our people, grow our capability and value everyone's contribution

Operate safely, reliably and flexibly

Guiding Principles



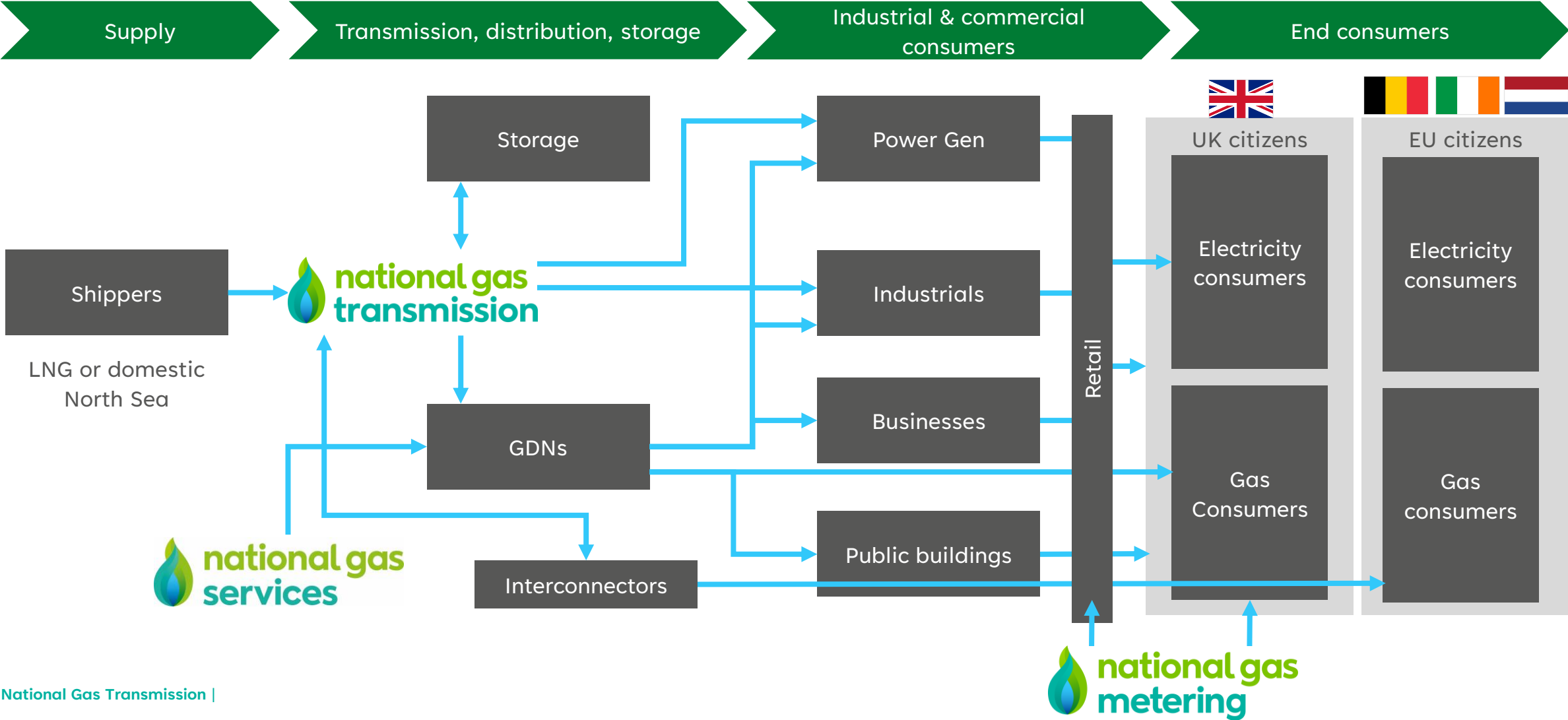
Protect

Grow

Innovate

National Gas is of critical significance in the energy system

We sit at the centre of a complex system, serving customers across gas and electricity



So what do we mean by Energy Resilience?

Commodity Security

LNG Supply



UKCS Supply



NCS & EU Supply



Storage

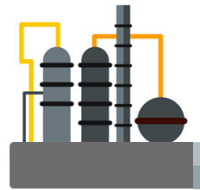


Demand



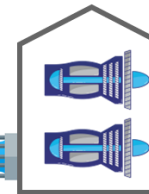
NTS Infrastructure Security

Terminals



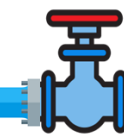
Pipelines:
Supply Risk

Compressor Units



Compression:
Capability Risk

Sites



Site Assets:
Failure Risk

Customers



Pipelines:
Demand Risk

RIO-GT3 key milestone dates

Key
==== Engagement

2022

November 2023

Cross Sector Working Groups running from 16th November & will continue in the New Year

2024

January 2024

Business Plan Guidance Consultation

December 2024

Final business plan submission

December 2023

Sector Specific Methodology Consultation expected 13th December [To run for 9 weeks]

Late Spring 2024

Final Business Plan Guidance
Transmission specific RIO-GT3 framework decision

Summer 2024

Business plan Data Tables
Business Plan Stakeholder submission

Late Spring 2024

Consult on our incentive proposals package

Spring 2024

Working groups complete their work to inform sector-specific methodology decisions

2026

1 April 2026

Start of RIO-GT3 price controls

2030

31 March 2031

End of RIO-GT3 price controls

Long term milestones

Engaging with our stakeholders



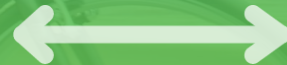
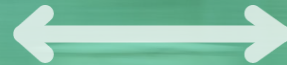


Engagement Process

- Stage 1 – Preliminary engagement
- Stage 2 – Business plan development
- Stage 3 – Business plan refinement
- Stage 4 – Gap analysis
- Stage 5 – Post submission monitoring and continuing the conversation

Engagement topics

- Information provision
- Data and market insights - Lead
- Blending
- Impact of transitioning areas of the network to 100% Hydrogen on methane resilience and operations
- Dealing with uncertainty
- IT Systems across gas and electricity to support incident management
- Deliverability of Gas plan
- Baselines
- Shaping our value framework
- MCP – Level of compliance
- Maintainability and operability – making maintaining assets easier and cheaper (possible)
- What happens if we miss 2050 – implications on the gas network
- Climate change adaptation
- Our role of constructing H2 network/ blend
- Skills – How can we support the supply chain to build up a long-term resource plan to deliver long term outcomes
- Creating a robust and effective supply chain
- Safety Strategy
- Incentives
- Strategic narrative: our role and the transition to net zero
- Governance
- Methane emissions reductions – MERC (environment)
- Decarbonisation of our business – by 2040, how
- Methane emissions reductions – MERC (environment)
- Decarbonisation of our business – by 2024, how
- EAP – leadership side – linked to decarbonisation of our business
- Biodiversity Net gain
- Climate change data to inform modelling
- Funding options – NIA/SF – with ENA
- How do we work with SME's (NGT's role in supporting new businesses etc)
- Sharing outcomes – How can we do this better?



Priorities

Topics

Shape the energy market of the future

Network Operability
Network Resilience
Deliverability of AMP
Resilience to a Changing climate
Data information Provision

Drive environmental and community impact

Incentives

Deliver sustainable value for customers and stakeholders

ESG (Environment, Social, Governance)

Invest in our people, grow our capability and value everyone's contribution

People, skills and capabilities

Operate safely, reliably and flexibly

Hydrogen

Over the next 12 months

- Start of the conversation
- Topic specific engagement coming up - keep an eye out
- What other ways would you like us to engage with you?



Engagement methods



Webinars



1-2-1s



Existing industry forms



Digital platforms

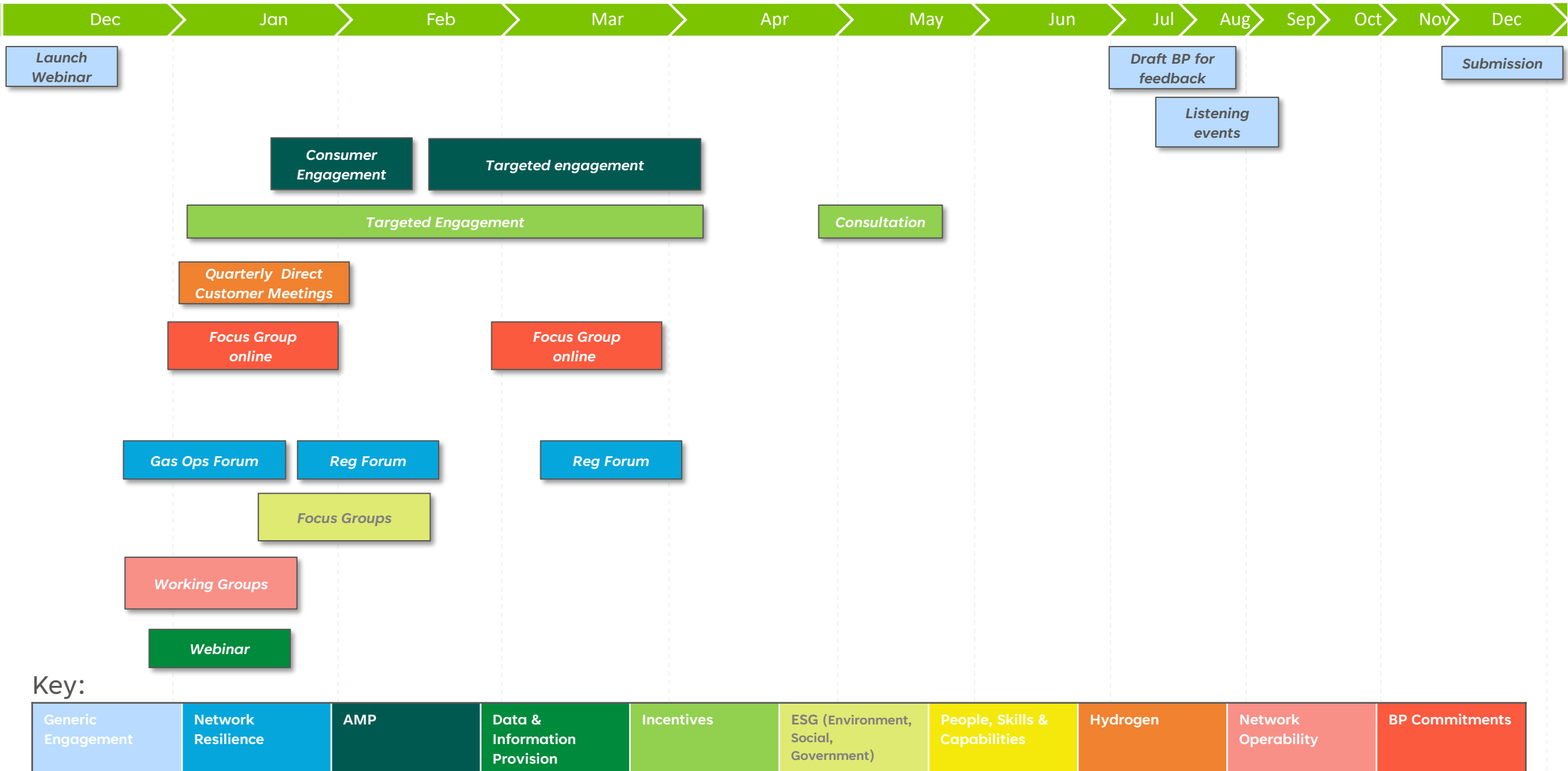


Workshops



Suggested methods?

Engagement plan



Q&A



What next?



You will receive the recording and materials from today's session



If you have any further questions or would like to discuss anything specific please get in touch: engage@nationalgas.com

