

29. Summary of our outputs and incentives

This chapter provides a summary of the outputs and uncertainty mechanisms which form part of the gas transmission price control package. They are supported by Annexes A29.01-A29.03 setting out these proposals in further detail. These are evolving areas and we will be engaging with you as we further develop our proposals in these areas for future iterations of the business plan.

Price Control Deliverables (PCDs)

Detail on each of the proposed price control deliverables can be found in annex A29.01. A summary of these PCDs is below.

PCD name	Business plan proposal - what the PCD measures	Related UM	Supporting info
1. Cyber resilience	Delivery of cyber security enhancements to reduce the risk of events which could have a severe impact on GB consumers.	UM_1	<p>National Grid UK Cyber Security Strategy (Annex A23.01)</p> <p>Gas Transmission and Gas System Operator NIS Self-Assessments (Annexes A23.03 and A23.04)</p> <p>Gas Transmission and Gas System Operator draft NIS Improvement Plans (Annexes A23.05 and A23.06)</p> <p>Justification Paper –NGGT Cyber Resilience (Information Technology) (Annex A23.02)</p> <p>Operational Technology and Cyber Resilience Justification Paper (Annex A23.07)</p>
2. Physical security	Delivery of physical security enhancements to reduce the risk of events which could have a severe impact on GB consumers.	UM_2	<p>Enhanced Physical Site Security Asset Health Justification Report (Annex A23.08)</p> <p>Enhanced Physical Site Security Major Project Justification Report (Annex A23.09)</p>
3. NARMs (PCD/ODI)	Relative target to measure delivery of our asset health investments with justified over and under delivery.	-	Justification report and CBA (Annex's A22.08- A22.23)

PCD name	Business plan proposal - what the PCD measures	Related UM	Supporting info
4. Compressor emissions	Deliver compressor emissions compliance at Wormington in RIIO-2 and begin work to deliver compliance at King's Lynn, Peterborough and St. Fergus in RIIO-3	UM_5	Compressor Emissions Compliance Strategy (Annex A24.05) Wormington Justification report & CBA (Annex A24.10 & A24.11) Huntingdon Justification report & CBA (Annex's A24.14 & A24.15) King's Lynn Justification report & CBA (Annex A24.18 & A24.19) Peterborough Justification report & CBA (Annex A24.12 & A24.13) St. Fergus Justification report & CBA (Annex A24.16 & A24.17)
5. Redundant assets	Address redundant assets across 77 sites, assets and asset groups	-	Justification report (Annex A24.08)
6. Kings Lynn Subsidence	Address subsidence at King's Lynn compressor site	-	Justification report & CBA (Annex 22.04 & A22.05)
7. Bacton terminal site redevelopment	Delivery of Bacton terminal site redevelopment	-	Justification report & CBA (Annex A22.02 & A22.03)
8. Environmental action plan (new potential PCD/ODI)	A requirement from Ofgem's May decision, across all sectors, was the delivery of an environmental action plan (EAP) and annual environmental report. This is new for gas transmission. We have included an initial draft EAP in our submission. This is in early stage development, is due to be updated as per Ofgem's revised guidance, and stakeholder views will be sought.	-	Draft Environmental Action Plan (Annex A24.01)

Licence Obligations

A summary of the licence obligations is below.

Licence Obligation name	Business plan proposal – purpose of LO
1. Maintain 1 in 20 demand capability	To ensure NGGT efficiently manages the network to be able to meet a 1 in 20 peak demand severe weather event.
2. Network capability assessment	To ensure NGGT delivers an NTS that has the physical capability to efficiently meet the needs of NTS users now and in the future.
3. Connections	To incentivise NGGT to make connection offers in a timely manner.
4. Emergency response & enquiry service	To ensure customers have a reliable emergency response phone line service in the event of an emergency.
5. Annual environmental report (including business carbon footprint (BCF) reporting)	To increase the transparency of NGGT’s environmental performance.

Uncertainty mechanisms (UM)

Detail on each of the proposed uncertainty mechanisms can be found in annex A29.02.

A summary of these is below.

UM name	Type	Business plan proposal – what the UM addresses	Frequency
1. Cyber resilience	Reopener Upfront allowance & totex incentive sharing applies for known work with defined outputs.	There is some uncertainty above our baseline scope and costs for cyber resilience work in RIIO-2. An ongoing adjustment mechanism avoids security works being over or underfunded in RIIO-2.	Process undertaken annually May or may not result in any required changes
2. Physical security	Reopener Upfront allowance & totex incentive sharing applies for known work with defined outputs.	Scope and cost of physical security work that is in consumer interests in RIIO-2. An ongoing adjustment mechanism to avoid us being over or underfunded for physical security works in RIIO-2.	Process undertaken annually May or may not result in any required changes
3. Incremental capacity	Reopener	Potential costs associated with release of incremental capacity are unknown. Revised incremental capacity reopener for RIIO-2.	Case-by-case basis
4. Pipeline diversions	Reopener	Allows recovery of pipeline diversion costs to the extent that they cannot be reasonably recovered from parties requesting the diversion.	Annual
5. Compressor emissions	Reopener Upfront allowance & Totex incentive sharing applies for known work with defined outputs.	Reopener for costs relating to compliance with emissions directives.	Year 2 of price control True up at end of period

UM name	Type	Business plan proposal – what the UM addresses	Frequency
6. Quarry & loss development	Reopener Upfront allowance & Totex incentive sharing applies for known work with defined outputs.	Reopener to deal with unpredictable loss of development and mineralisation costs.	Year 2 of price control True up at end of period
7. New threat vector	Reopener	Bespoke UM proposal relating to new threat vectors - “unknown unknowns”. Concept to be developed further through future iterations.	Only triggered in exceptional circumstances so that we can respond to stakeholder requirements.
8. Whole systems	Coordinated Adjustment Mechanism	Not yet defined (Ofgem potential option in May decision). Further discussion required with Ofgem	To be defined
9. Policing cost associated with Counter-Terrorism Act 2008	Pass through	Policing costs cannot be controlled by NGGT or predicted, therefore treated as pass-through.	Annual
10. Conveyance of gas for independent systems	Pass through	Costs relate to government policy and cannot be controlled by NGGT, therefore treated as pass-through.	Annual
11. Gas Transporter’s share of Xoserve costs	Pass through	This only relate to our share of costs for central data service provider (CDSP) services.	Annual

Incentives

Detail on our proposed incentives can be found in annex A29.03.

A summary of these is below.

Incentive name	Type	Business plan proposal
1. Stakeholder engagement incentive	ODI reputational with bespoke outputs	Consider bespoke outputs for stakeholder engagement in line with Ofgem’s proposal.
2. Customer satisfaction survey	ODI financial	Retain amended incentive in line with Ofgem’s proposals.
3. Quality of demand forecast – day ahead and	ODI financial	Retain schemes Incentive set with appropriate rewards and penalties to meet the needs of

Incentive name	Type	Business plan proposal
2-5 day schemes (D1/D2-5)		consumers, recognising that demand forecasting is becoming increasingly challenging. Metrics to be agreed with Ofgem.
4. Maintenance – use of days and changes schemes	ODI financial	Retain existing schemes and expand to cover the wider range of maintenance activities supported by stakeholder feedback. Incentive set with appropriate rewards and penalties to meet the needs of consumers, recognising that the volume of planned maintenance is likely to be significantly higher in RIIO-2. Metrics to be agreed with Ofgem.
5. Entry and exit capacity constraint management	ODI financial	Retain scheme, scheme design to be reviewed after completion of network capability review. Consider changes to scheme to address high impact/low probability nature of scheme. Metrics to be agreed with Ofgem.
6. Residual balancing	ODI financial	Retain scheme. Incentive set with appropriate rewards and penalties to meet the needs of consumers, recognising the impact of a changing energy landscape. Propose options to amend linepack component of scheme to better drive the right behaviour during seasonal transitions between winter and summer. Metrics to be agreed with Ofgem.
7. NTS shrinkage	ODI financial	Retain scheme with potential improvements to drive further consumer savings for RIIO-2. Incentive set with appropriate rewards and penalties to meet the needs of consumers.
8. Environmental action plan	Potential ODI or PCD	A requirement from Ofgem’s May decision, across all sectors, was the delivery of an environmental action plan and annual environmental report. This is new for gas transmission. We have included an initial draft EAP in our submission. This is in early stage development, is due to be updated as per Ofgem’s revised guidance, and stakeholder views will be sought.
9. Linepack services	Potential ODI	Develop and consult on options and consider interactions with existing incentives (e.g. residual balancing and constraint management).
10. GHG emissions (venting)	ODI financial	Retain scheme with incentive set with appropriate rewards and penalties to meet the needs of consumers. Include upside to encourage further performance improvements. Potentially develop further as part of broader environmental incentive package.
11. Connections	ODI financial	Explore options with stakeholders about whether an incentive on the connections process can deliver benefits for consumer.