

GT SECTOR	
<b>REFERENCE NUMBER:</b>	<b>CATEGORY:</b>
<b>LICENCE CONDITION NUMBER:</b> <i>(if relevant):</i>	SpC 3.12
<b>TITLE:</b>	Asset Health Re-opener
<b>RELEVANT LICENCE CONSULTATION QUESTIONS</b> <i>(if any):</i>	
<b>RELEVANT ISSUES LOG:</b>	3.12 Asset Health UM Issues Log
<b>POLICY ISSUES</b>	
<ul style="list-style-type: none"> <li>General</li> <li>Part A, 3.12.4 (d)</li> <li>Part B, 3.12.5</li> <li>Part C, 3.12.6 (e)</li> </ul>	<ul style="list-style-type: none"> <li>The policy position established in the draft determinations is that the function of this re-opener is twofold. 1) To identify the efficient cost of delivering relevant work and provide related allowances for years 4 and 5 of RIIO-2. 2) To adjust prior year allowances to reflect those efficient costs. Current drafting implies that allowances for all years of RIIO-2 will be provided in baseline and adjusted at the point of re-opener. This is a policy position that NGGT supports that will manage several risks for both NGGT and consumers. The introduction and the framing of this condition however do not suitably reflect the understood policy position at this time before any policy decisions made in the Final Determinations. This condition should clearly and unambiguously reflect the intended action of the prevailing policy position.</li> <li>Our response to NGGTQ37 of the draft determination outlined our proposal that several sub-themes of the Civils asset theme should also be within scope of this re-opener. This will ensure NGGT are able to manage the Health and Safety and CNI security requirement issues across its sites in an efficient manner at the lowest lifetime cost to consumers.</li> <li>The current timing of the re-opener reflects Ofgem's draft determination proposals. We refer Ofgem to our responses to question NGGTQ37 in our DD response where we outlined the benefits for consumers in allowing flexibility in the timing of when the licensee can apply under the re-opener across the different Asset Health themes.</li> <li>The draft determination requirements for this re-opener are for improved cost and volume reporting to support a review of incurred costs and assessment of forecast costs for the remainder of RIIO-2. Paragraph 3.12.6(e) should</li> </ul>

<ul style="list-style-type: none"> <li>Part F</li> </ul>	<p>reflect this. The references to cost benefit analysis and engineering justification reports goes substantially beyond that and risks undermining Ofgem’s agreement in the Draft Determinations that it accepts the need to fund work in these theme</p> <ul style="list-style-type: none"> <li>We are concerned that there is no set timeline for decisions and directions to be made by Ofgem under this and other re-opener licence conditions. This creates an unnecessary risk to delivery, efficiency and ultimately consumer value.</li> </ul>
<b>DRAFTING ISSUES</b>	
<ul style="list-style-type: none"> <li>3.12.3</li> <li>3.12.3</li> <li>Headings</li> <li>3.12.4(b)</li> <li>3.12.4(b)</li> <li>3.12.4(d)</li> <li>References to Asset Health – Non Lead Assets PCD Condition</li> <li>3.12.5</li> <li>3.12.6</li> <li>3.12.7</li> <li>3.12.7(b)</li> <li>3.12.8(b)</li> <li>3.12.8(d)</li> <li>3.12.10</li> </ul>	<ul style="list-style-type: none"> <li>“Asset health Programme” is not defined in the GT definitions annex. Should this term be replaced with “GT Asset health plan” (which is defined) as per 3.12.7? “Licensed Activity” is yet to be defined; We suggest by reference to “transportation business” as defined in SSC A3.</li> <li>Replace “explains” with “sets out”</li> <li>Headings should be framed as statements not questions. Part A heading should read “costs within the scope of this re-opener” and Part F heading should read “Authority process for making a direction”</li> <li>Are outputs to be specified in Appendix 1 to Spc 3.1 (Baseline Network Risk Output) that are capable of amendment as contemplated by 3.12.4(b)?</li> <li>Replace “or” with “and/or”</li> <li>This provision does not need to be labelled (d); it follows on from a,b,c above it and should be framed as “and/or” or “any of the relevant assets” not only “or”</li> <li>This condition is Special Condition 3.13 so all cross references in this condition need to be corrected.</li> <li>Should cross refer to 3.12.4</li> <li>Should cross refer to 3.12.4</li> <li>Should cross refer to 3.12.4</li> <li>Suggest delete “date” and replace with “date of the application”</li> <li>Should cross refer to Special Condition 3.1</li> <li>This provision does not need to be labelled (d); it follows on from a,b,c above it. It should cross refer to 3.12.4</li> <li>Should cross refer to 3.12 paragraphs 4,8 and 9</li> </ul>
<b>FINANCE ISSUES</b>	

<ul style="list-style-type: none"> <li>3.12.1</li> </ul>	<ul style="list-style-type: none"> <li>This condition does not calculate the Aht term it describes how adjustments to the value can be made. With that value being captured in the PCFM.</li> </ul>
<b>SUPPORTING INFORMATION</b>	
<b>OFGEM ENGAGEMENT:</b>	