



## **Business Plan Data Tables Commentary**

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RIIO-GT3

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## 1. Overview

This document is National Gas Transmission's (NGT) Business Plan Data Template (BPDT) commentary accompanying the RIIO-GT3 business plan submission, specifically supporting the BPDT submission.

Our baseline plan forecasts £4.0bn of totex expenditure across the RIIO-GT3 price control period. We also include an additional £0.4bn requiring decision under RIIO-T2 uncertainty mechanisms. This gives total expected baseline expenditure of £4.4bn. We have identified £0.9bn which due to the level of scope and/or cost uncertainty we have assigned to uncertainty mechanism re-opener spend. Total baseline and uncertainty mechanism spend is forecast at £5.3bn across RIIO-GT3.

The BPDT and this Commentary have been subject to Data Assurance Guidance (DAG) risk assessments. In addition, a 'three lines of defence' assurance model was adopted to ensure appropriate input and oversight over our submission. This has ensured that appropriate level of challenge and review was carried out across the business plan at each stage of our submission and complies with Ofgem's DAG requirements. Further details are included within the NGT\_A14\_Assurance\_Statement\_RIIO\_GT3 annex.

Through our assurance process we have identified a small number of non-material cost adjustments required to BPDT. Given the proximity to Ofgem's submission deadline, we have not revised the affected parts of our BPDT submission. In the interests of completeness and transparency, we have listed the adjustments along with the relevant supporting information in NGT\_A24\_NetDAR\_RIIO\_GT3.

[REDACTED]

We worked closely with Ofgem from March 2024, testing and reviewing the structure and content of the BPDT tables and proposing solutions where either party identified issues. We have proposed further amendments to the tables issued on 11 October 2024 for use in the December business plan submission in order that our plan is correctly represented in each of the tables. As agreed with Ofgem, we have made and documented the required changes in the BPDT tables.

## 2. Document structure / Data source

Where data has been captured through the previous regulatory reporting process at the same level of detail and under similar regulatory cost categories:

- RIIO-T1 data is sourced from the RRP21 submission where available and the individual year RIIO-T1 RRP submissions where data is submitted only for the relevant reporting year.
- RIIO-T2 data is sourced from the RRP24 submission based on the Price Control Financial Model Dry Run 2 submitted to Ofgem on 5 October 2024. Where the data is not available from the RRP24 submission as data is submitted only for the relevant reporting year, data is sourced from individual year RIIO-T2 RRP submissions

Values included in this document are rounded to the nearest million unless stated otherwise. As such the total presented in the tables within this commentary may not match the sum of individual rows or columns due to rounding to the nearest million.

### 3. Data Table Commentary

Chapter 3 of this document fulfils the requirement to provide commentary for each table using the template format set out by Ofgem.

With one exception, Ofgem has requested that the commentary for each table does not exceed 3 pages, excluding visual representations. We have therefore excluded figures and tables from the page count. We also discussed with Ofgem that several tables require multiple assumptions to populate and agreed that in these cases the importance of including the assumptions required to understand the table inputs is greater than limiting the commentary to 3 pages.

## Section 3 - Totex

### 3.1 TO Totex

#### Commentary

##### Assumptions

The formulae within rows 58 to 61 sourcing TO direct opex from Table 5.3 contain an error which would result in a double count of TO direct opex should both gross and net costs be populated within Table 5.3. NGT has not corrected the error in Table 3.1 but instead has populated only net direct opex in Table 5.3. As discussed with Ofgem through the BPDT development process, from March 2024 to September 2024, the concept of gross and net costs with respect to direct opex is not recognised from an operational perspective and furthermore, is not clarified in the RIIO-GT3 Gas Transmission Price Control – BPDT Guidance. When applied to opex, gross costs are typically those prior to the capitalisation of FTE costs with net costs being the non-capitalised, opex element. NGT's view is that gross direct opex costs would be equal to net direct opex costs

RIIO-T1 has been reconciled against final RIIO-T1 Price Control Financial Model (PCFM) totex values and RIIO-T2 costs have been reconciled against the PCFM Dry Run 2 submitted to Ofgem on 5 October 2024 to ensure completeness and comparability with RIIO-GT3.

Reconciliations are shown in Figures 3.1.1. and 3.1.2. below with all values stated in £m in 2023/24 price base.

Cost Area	Cap/Op	2014	2015	2016	2017	2018	2019	2020	2021	Total	Comments
Total Totex as per Table 3.1		314.4	302.4	310.4	370.6	500.0	492.9	379.0	286.6	2,956.4	
Total Totex as per RIIO-T1 PCFM summary		308.	298.	306.	365.	497.	477.	375.1	309.	2,940.	
Variance		-5.5	-3.9	-4.2	-4.8	-2.1	-15.	-3.8	23.	-16.	
Pension costs	Opex	-4.	-4.	-3.	-3.	-3.	-2.	-4.8	-4.	-31.	Pension admin costs in BPDT but not part of Totex in T1
Adjustment for IAS 19 pension accrual (including post cut o	Opex	-0.	0.	-0.	-1.	1.	-12.	1.0	27.	15.	Category does not exist in BPDT inputs
		-5.5	-3.9	-4.2	-4.8	-2.1	-15.	-3.8	23.	-16.	
Unexplained variance		0.	0.	0.	0.	-0.	0.	0.0	0.	-0.	

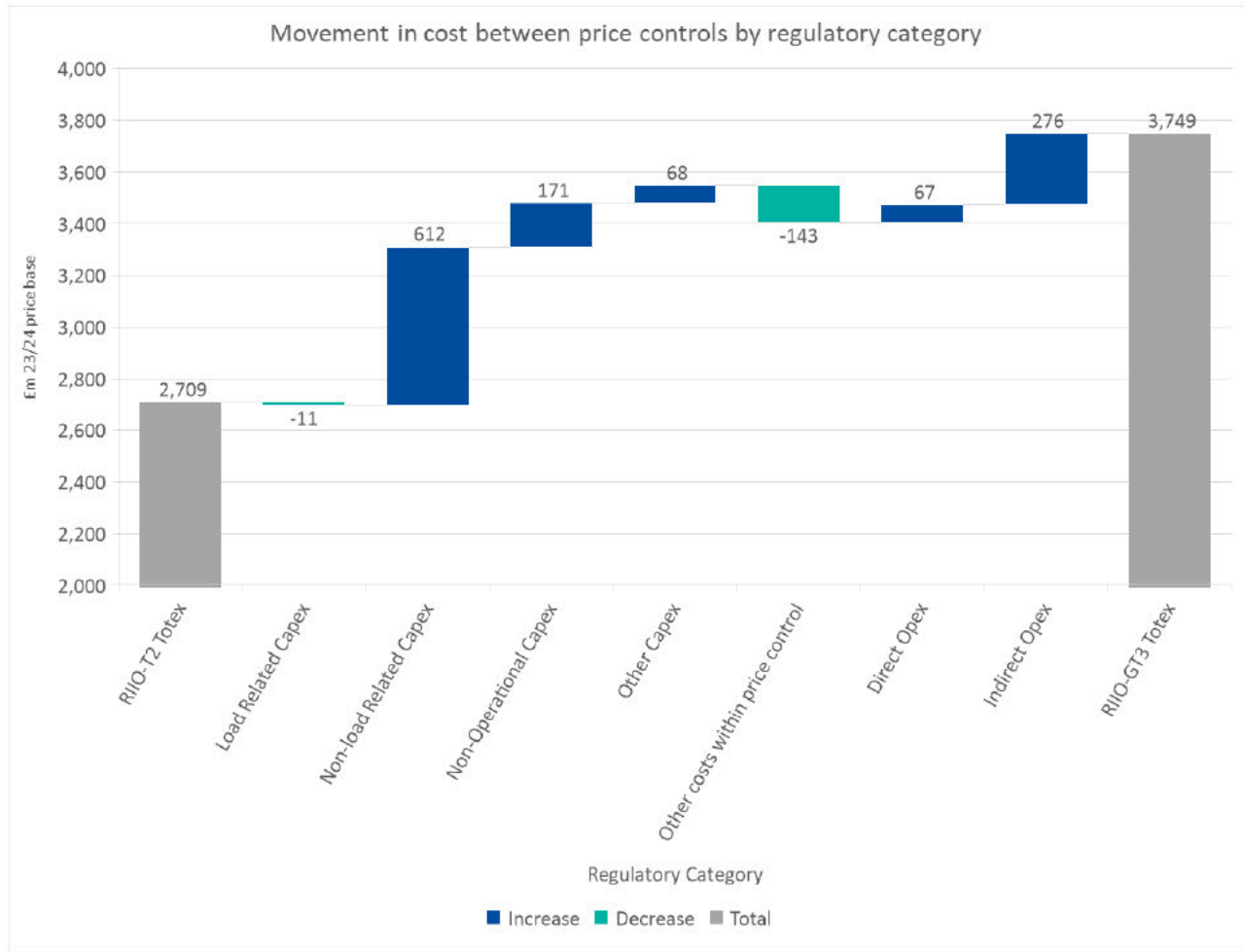
**Figure 3.1.1:** Reconciliation of RIIO-GT1 BPDT totex values to final RIIO-T1 PCFM

Cost Area	Cap/Op	2022	2023	2024	2025	2026	Total	Comments
Total Totex as per Table 3.1		360.6	421.2	493.5	694.0	740.0	2,709.3	
Total Totex as per PCFM DR2 Totex summary		361.9	421.7	491.5	678.4	725.5	2,679.1	
Variance		1.3	0.6	-2.0	-15.	-14.	-30.	
<u>ate / BPDT related</u>								
Other Costs Within Price Control	Totex	0.	0.	-1.5	-9.8	-12.	-23.	Cyber variance, mostly offset at TO / SO level, net £6m increase vs PCFM for UM submission vs allowances on Cyber IT
Other Costs Within Price Control	Totex	1.	0.	0.			2.3	OT T1 carryover not in Cyber BPDT inputs
Network operating costs	Opex	0.	0.	0.	0.	0.	0.6	PSUP minor variances - BPDT to PCFM
Other	Capex	0.	0.	-0.9	0.	-2.4	-2.6	PSUP minor variances - BPDT to PCFM
Non-load related	Capex				-4.3	4.	0.0	Rephasing of Asset Health spend
Indirect	Opex				-3.0	-4.0	-7.0	Revised forecast split of Business Support costs, offset in SO
		1.3	0.6	-2.0	-15.	-14.	-30.	
Unexplained variance		0.0	0.0	0.0	-0.1	0.0	-0.1	

**Figure 3.1.2** Reconciliation of RIIO-GT2 BPDT totex values to 2023/24 PCFM Dry Run 2

**RIIO-3 Profile and comparison to historic data**

RIIO-T3 TO totex totals £3.7bn compared with £2.7bn for RIIO-T2. The key drivers behind the increase are shown in Figure 3.1.3.



**Figure 3.1.3** : Comparison of RIIO-GT3 to RIIO-T2 TO totex

Our totex plan is comprised of:

- Our **Asset Management Plan (AMP)** forms 47% of our TO baseline (including RIIO-T2 re-openers reported in lines 68-81) of the plan submission. The AMP provides a long-term optimised plan to manage network risk and performance, aligned to our business priorities and asset management strategies. The AMP is continually updated to adapt to the evolving energy landscape and changing asset risk and performance. More information can be found in NGT\_A01\_Asset\_Management\_Plan\_(AMP)\_RIIO\_GT3.

- **Non-operational capex** (8%) including IT & telecoms, Small Tools, Equipment, Plant and Machinery (STEPM), Vehicles and Property cost categories. The majority of non-operational capex relates to our **IT investment plan** which is led by the need to maintain or improve business capabilities. Our IT investments are informed and driven by the business, regulatory and stakeholder priorities which define the outcomes (“why do it”) and are complemented by the triggers for change (“why do it in the coming period”). To make the drivers easier to understand, we have used three overarching categories which reflect the level of change:
  - Keep our systems healthy, secure and compliant – keep Britain’s gas network running safely and securely;
  - Deliver Outcomes – enabling enhanced capabilities which deliver key business outcomes;
  - Deliver innovation -- transformation of a capability driven by new external requirements or new technology opportunities.

Further detail on our IT strategy and plan can be found in our NGT\_A11\_IT\_and\_Telecoms\_Strategy\_RIIO-GT3 annex.

- **Operational expenditure** (28%) is integral to the running of our business. Operational activities such as maintenance and fixing faults ensure that the network operates in the way our customers would expect and that gas flows to where it is needed. Business support teams (such as finance and HR) focus on delivering efficient management and administrative activities to support our operational activities and an increasing capital program.

Our RIIO-GT3 capital investment program is £0.8bn more than in RIIO-T2 with operational expenditure and FTEs increasing to support this larger workload. We are also committed to ensuring effective maintenance and HSE policies. For example, RIIO-GT3 includes changes to maintenance strategy, including alignment to international standards and new scrub clearance procedures. We are planning the introduction of new training centres to build and maintain our highly skilled workforce and future proof against skill shortages due to retirement and a competitive market.

Further details on movements between RIIO-T2 and RIIO-GT3 are discussed within individual table commentaries.

#### Justification for outliers

This is a consolidated table and therefore details on outliers are discussed within individual table commentary.

#### Forecast sensitivity

The sensitivity of the various regulatory costs is largely dependent on the regulatory cost category under consideration. Forecast sensitivity is covered within the relevant input tables. Table 3.1 shows the TO element of our baseline totex plan. The costs input into Table 11.6 Uncertainty Mechanisms (which are not consolidated into Table 3.1) are for those areas of our plan which exhibit significant volume and/or cost uncertainty and so are included under re-opener or volume driver funding mechanisms.



Interactions with governmental policy

Interactions with governmental policy are referenced within the relevant individual input table commentaries.

Benchmarking activities

Table 3.1 contains multiple regulatory cost categories. Each category has been benchmarked using the methodologies shown in Table 3.1.4. The specific benchmarking methodologies and outcomes are referenced within the relevant individual input table commentaries.

The Scope, Volume and Cost Data Confidence Standard (SVC) is an internally developed framework that ensures all our investment proposals within our Asset Management Plan (AMP) are well evidenced, based upon robust good-quality data and can withstand high levels of external scrutiny. The standard is used to assess confidence in the data used to build our business plan. Within the build of unit costs historical outturn, tendering and salary benchmarking are used to build robust unit costs. We have followed SVC principles when building our plan for IT, FTEs and Other Materials Goods and Services.

Regulatory Cost Category	Baseline business plan and RIIO-T2 reopeners (£m)	External assessment and benchmarking	Salary benchmarking	Historical outturn	Tenders	Trend analysis	SVC Standard
Load related and non-load related capex	1,758	✓	✓	✓			✓
Resilience capex	356	✓	✓	✓			✓
IT & Telecoms capex	209	✓	✓	✓			
Non-operational capex – Property	29			✓	✓		
Non-operational capex – Vehicles	15			✓	✓	✓	
Non-operational capex – STEPm	48			✓		✓	
Non-operational capex – Net zero	10	✓	✓	✓	✓		
TO Network operating costs – Faults / Planning inspection and maintenance	214		✓	✓	✓		
TO Network operating costs – Operational property	52			✓	✓		
Closely associated indirects - IT & Telecoms	9	✓	✓	✓			
Closely associated indirects – excluding IT & Telecoms	303		✓	✓		✓	
Pension scheme admin / PPF levy	21			✓	✓		
Quarry and loss	20			✓			
Resilience opex	361	✓	✓	✓		✓	
Business support	344	✓	✓	✓		✓	
<b>Total totex per BPDT 3.1</b>	<b>3749</b>						

**Table 3.1.4** : Benchmarking methodology applied to regulatory cost categories

BPDT references

Table 3.1 sources data from Tables 6.1 Capex Summary, 5.1 TO Indirects, 5.3 TO Direct Opex, 5.5 Quarry Loss, 5.6 PSUP Opex, 5.16a NISR Cyber (GTO) and 8.9 Net Zero. The TO Totex

table does not require any inputs with all data being sourced and summarised from other input tables within the BPDT.

Apportionment

Apportionment is not directly applicable to Table 3.1 TO\_Totex. Any apportionment assumptions are noted against the table where the data is initially input.

### 3.2 SO Totex

#### Commentary

##### Assumptions

RIIO-T1 costs have been reconciled against final RIIO-T1 PCFM Totex values and RIIO-T2 costs have been reconciled against the PCFM Dry Run 2 submitted to Ofgem on 5 October 2022 to ensure completeness and comparability with RIIO-GT3. Reconciliations are included in Figures 3.2.1 and 3.2.2 with all values stated in £m and in 2023/24 price base.

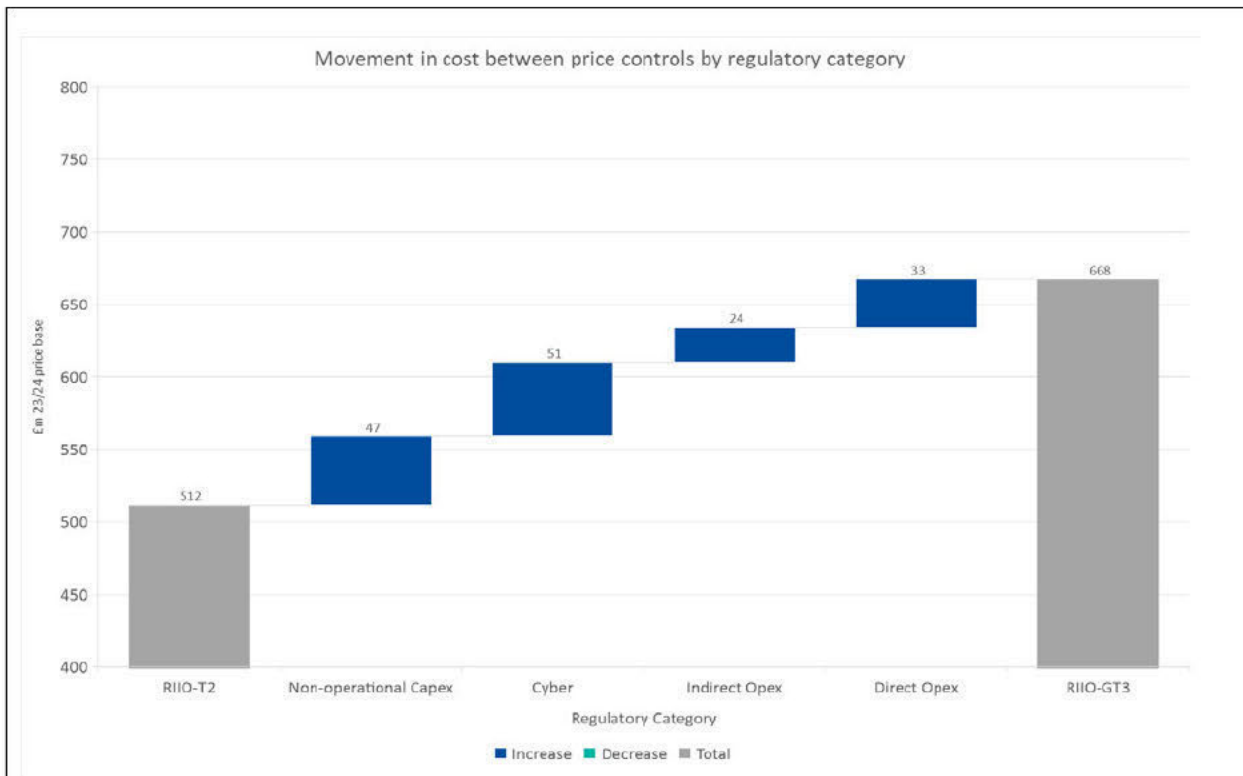
Cost Area	Cap/Op	2014	2015	2016	2017	2018	2019	2020	2021	Total	Comments
Total Totex as per Table 3.2		97.7	120.6	136.6	123.0	109.9	116.	120.7	100.5	925.4	
Total Totex as per RIIO-T1 PCFM summary		97.2	120.7	136.4	122.4	111.0	117.	123.3	117.2	945.5	
Variance		-0.6	0.1	-0.3	-0.6	1.1	1.1	2.6	16.7	20.2	
Pension costs	Opex	0.0	-0.1	-0.1	-0.1	-0.2	-0.1	-0.2	-0.2	-1.0	Pension admin costs in BPDT but not part of Totex in T1
Security	Opex	0.0	0.0	0.0	0.2	0.5	0.9	2.2	1.7	5.4	Category does not exist in BPDT inputs
Adjustment for IAS 19 pension accrual (including post cut off deficit payment)	Opex	-0.5	0.2	-0.2	-0.8	0.8	0.4	0.6	15.2	15.7	Category does not exist in BPDT inputs
		-0.6	0.1	-0.3	-0.6	1.1	1.1	2.6	16.7	20.2	
Unexplained variance		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	

**Figure 3.2.1** Reconciliation of RIIO-GT1 Totex values to the final RIIO-T1 PCFM

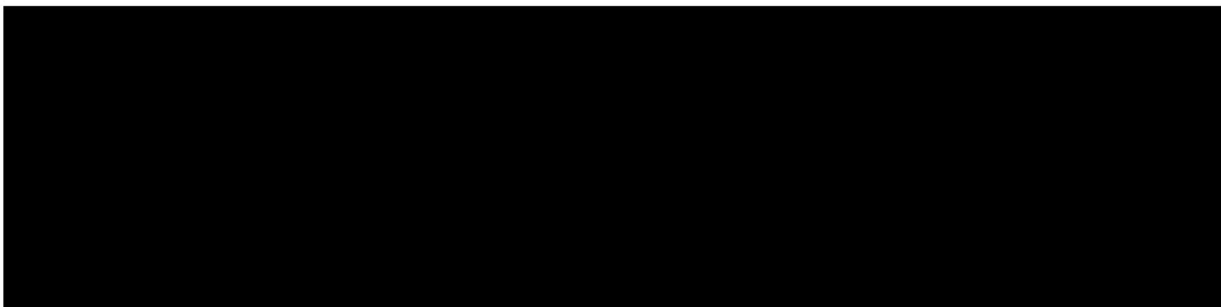
Cost Area	Cap/Op	2022	2023	2024	2025	2026	Total	Comments
Total Totex as per Table 3.2		89.0	82.2	99.0	128.3	113.4	511.8	
Total Totex as per PCFM DR2 Totex summary		88.9	82.2	99.7	139.3	130.0	540.2	
Variance		0.0	0.0	0.7	11.0	16.7	28.4	
Other Costs Within Price Control	Totex	0.0	0.0	0.7	6.2	10.8	17.7	Cyber variance, mostly offset at TO / SO level, net £6m increase vs PCFM for UM submission vs allowances on Cyber IT
Indirect	Opex				3.0	4.0	7.0	Revised forecast split of Business Support costs, offset in TO
Indirect	Opex				1.9	1.9	3.7	NESO forecast, excluded as licence condition does not currently exist
		0.0	0.0	0.7	11.1	16.7	28.4	
Unexplained variance		0.0	0.0	0.0	-0.1	0.0	-0.1	

**Figure 3.2.2** Reconciliation of RIIO-GT2 Totex values to 2023/24 the PCFM Dry Run 2 RIIO-3 Profile and comparison to historic data

RIIO-T3 SO Totex totals £668m compared with £512m for RIIO-T2. The key drivers behind the increase are shown in Figure 3.2.3.



**Figure 3.2.3** : Comparison of RIIO-GT3 to RIIO-T2 SO totex



Our **IT investment plan** (31%) is led by the need to maintain or improve business capabilities. Our IT investments are informed and driven by the business, regulatory and stakeholder priorities which define the outcomes (“why do it”) and are complemented by the triggers for change (“why do it in the coming period”). To make the drivers easier to understand, we have used three overarching categories which reflect the level of change:

- Keep our systems healthy, secure and compliant – keep Britain’s gas network running safely and securely;
- Deliver Outcomes – enabling enhanced capabilities which deliver key business outcomes;
- Deliver innovation -- transformation of a capability driven by new external requirements or new technology opportunities.

Further detail on our IT strategy and plan can be found in our NGT\_A11\_IT\_and\_Telecoms\_Strategy\_RIIO-GT3 annex.

**Operational expenditure** (56%) is integral to the running of our business. Operational functions for the SO cover a range of activities which all align to our ‘Primary Gas Transporter Safety Case’ ensuring that pressure is maintained in the NTS within safe

limits and that the quality of the gas we transport complies with the Gas Safety Management Regulations (GSMR).

Our RIIO-GT3 business is detailed in NGT\_A10\_System\_Operator\_Annex\_RIIO\_GT3 annex. Our strategy builds on our RIIO-T2 progress and performance to deliver our commitments to meet our critical obligations every hour of every day, drive better performance and service and enable efficient gas market operations through our data. We will deliver this through actions aligned to our regulatory priorities:

- **Infrastructure fit for a low-cost transition to net-zero**  
Evolving our approach to Strategic Network Planning and long-term forecasting, working with the National Energy System Operator (NESO) to ensure a whole system approach is adopted.
- **Secure and resilient supplies**  
Continuing to operate the network safely, efficiently, and reliably in an increasingly volatile environment. Enabling access to the network to deliver a bigger AMP in RIIO-GT3. Identifying opportunities to maintain and enhance operational resilience by growing our capability to understand the impact of changes within the energy market.
- **High quality of service from regulated firms**  
Facilitating the transformation of the energy industry through evolving natural gas commercial market frameworks, working with the NESO in developing future market strategy and enhancing our capability to provide data and information to the gas market.

GSO's network operating costs have increased by £33m from RIIO-T2 to RIIO-GT3 as a result of:

- **Hydrogen blending**  
Volumes of hydrogen blending are expected to grow within RIIO-GT3 along with diversity of supply and locationality. We will carry out the network analysis for blended connection requests. Further refinement to market arrangements is likely to be needed to facilitate the operability of a blended gas network. Engagement with connected TSOs, EU TSOs, and Ireland will continue to understand the involvement of blending plans and impact of blending in GB. Incremental resource requirements are required in RIIO-GT3 to undertake these activities.
- **Energy Resilience**  
Within RIIO-T2 geopolitical events had a profound impact on the gas industry, bringing greater focus on the resiliency of energy supply and transportation. We have worked closely DESNZ and Ofgem to improve the resilience of the NTS. This includes providing further clarity in our Transmission Planning Code on our proposed network investments, reviewing and analysing single points of failure on the NTS, developing a methodology to ensure a stable risk profile and implementing tools and strategies to ensure gas commodity security of supply. To deliver DESNZ resilience requirements, we have created an energy resilience team which has been stood up part way through RIIO-T2. This team will be in place for the full term of RIIO-GT3 and further capability added to support delivery of emergency response legislative requirements and enhance market modelling capability.
- **National Energy System Operator**  
Following the Energy Act 2023, NESO will be established within the RIIO-T2 period. Although we are yet to understand the scale of NESO's market

development activities within RIIO-GT3, we anticipate this to be significant based on the size of the gas market development function in the organisation. Within RIIO-GT3 we will continue with a significant programme of gas market strategy activities. We have increased resource and capability within Markets and Commercial & Incentives to manage market changes expected as part of NESO's market development activity and the move to a whole-system approach to the energy network.

- **Network Access**

Our customers need unrestricted, flexible access and utilisation of the NTS. We will deliver an increased capital programme to ensure the resilience of our network. To achieve this level of investment an increased volume of shutdowns (including scheduling and undertaking safety responsibilities) is required. Our GSO works with our GTO to form the AMP delivery plan, working to align activities and identify delivery timescales to maximise efficiency and minimise disruption to our customers.

To expediate the delivery of the volume increase in the AMP and maintain network reliability, we intend to utilise a longer timeframe for shutdown periods (March and November, as well as the traditional summer period). We will form a shutdown plan which covers a longer period, plan for more shutdowns, define the short-term operational risk and strategy and deliver network access safety obligations over a longer period. We will also assess deliverability and schedule shutdowns more proactively to deliver the increased level of investment.

- **Xoserve**

Costs reduce from £42m in RIIO-T2 to £32m in RIIO-GT3, primarily due to savings generated through reductions in the Gemini Outsourcing Agreement achieved during RIIO-T2 as part of the Sustain Plus project to re-platform and enhance the Gemini system.

#### Justification for outliers

This is a consolidated table and therefore details on outliers are discussed within individual table commentary.

#### Forecast sensitivity

The sensitivity of the various regulatory costs is largely dependent on the regulatory cost category under consideration. Forecast sensitivity is covered within the relevant input tables.

Table 3.2 shows the SO element of our baseline totex plan. The costs input into Table 11.6 Uncertainty Mechanisms (which are not consolidated into Table 3.2) are for those areas of our plan which exhibit significant volume and/or cost uncertainty and so are included under re-opener or volume driver funding mechanisms.

#### Interactions with governmental policy

Interactions with governmental policy are referenced within the relevant individual input table commentary.

**Benchmarking activities**

Table 3.2 contains multiple regulatory cost categories. These have been benchmarked using the methodologies shown in Table 3.1.4. The specific benchmarking methodologies and outcomes are referenced within the relevant individual input table commentary.

The SVC is an internally developed framework that ensures all our investment proposals within our Asset Management Plan (AMP) are well evidenced, based upon robust good-quality data and can withstand high levels of external scrutiny. The standard is used to assess confidence in the data used to build our business plan. Within the build of unit costs historical outturn, tendering and salary benchmarking are used to build robust unit costs. We have followed SVC principles when building our plan for IT, FTEs and Other Materials Goods and Services.

Regulatory Cost Category	Baseline business plan (£m)	External assessment and benchmarking	Salary benchmarking	Historical outturn	Tenders	Trend analysis	SVC Standard
Resilience capex	46		✓	✓			✓
IT & Telecoms capex	204	✓	✓	✓			
Non-operational capex – SO	3			✓	✓		
SO Network operating costs	178		✓	✓			
Closely associated indirects - IT & Telecoms	60		✓	✓		✓	
Closely associated indirects – excluding IT & Telecoms	1	✓	✓	✓			
Pension scheme admin / PPF levy	1			✓	✓		
Resilience opex	40	✓		✓		✓	
Business support	134	✓	✓	✓		✓	
<b>Total totex per BPDT 3.2</b>	<b>668</b>						

**Table 3.2.4** : Benchmarking methodologies applied to regulatory cost categories

**BPDT references**

Table 3.2 sources data from Tables 6.1 Capex Summary, 5.2 SO Indirects, 5.4 SO Direct Opex and 5.16b NISR Cyber (GSO) The SO Totex table does not require any inputs with all data being sourced and summarised from other input tables within the BPDT workbook.

**Apportionment**

Apportionment is not directly applicable to Table 3.2 SO\_Totex. Any apportionment assumptions are noted against the table where the data is initially input.

## Section 4 - Revenue

### 4.1 BPFM Inputs TO

#### Commentary

##### Assumptions

Ofgem's Finance Team confirmed (by email on 6 November 2024) that NGT is only required to submit one set of totex figures in the context of financial modelling; the best view containing both baseline and uncertainty expenditure. Therefore, in order that the totex best view is represented in Table 4.1, being the table that provides inputs to the BPFM, the data in Table 11.6 Uncertainty Mechanisms is included within the variant allowances section. This is counter to the instructions for completion provided in the RIIO-GT3 Gas Transmission Price Control – BPDT Guidance, where Table 11.6 is described by Ofgem as a memo table meaning that the data included within it is stand-alone and does not flow through to the various totex tables. Also, the instructions given in the BPDT Guidance Table 11.6 Instructions for Completion state "Costs included in this table [11.6] as a re-opener should be excluded from the associated cost table". However, given the contradictory instructions for the BPDT and BPFM and the fact that Table 4.1 does not feed into any other tables within the BPDT, we have completed the table to provide the scenario required by Ofgem's Finance Team.

We have amended the formulae in rows 13 to 18 to align the non-variant spend to the current non-variant allowance reporting categories in RIIO-T2. [REDACTED]

The RIIO-GT3 element of the RIIO-T2 re-opener uncertainty mechanism is included against the appropriate RIIO-T2 mechanism within the Variant allowances section.

There are two capitalisation rate inputs provided for the TO. We have calculated a natural capitalisation rate for the best view (baseline plus uncertainty mechanism) plan of 70.42%. This is applied to both capitalisation rates 1 and 2.

To calculate statutory depreciation, NGT's internal RIIO-T2 forecast has been used as a base with the projected RIIO-GT3 depreciation profile then overlaid.

Additional borrowing costs for actual company debt for the existing price control are aligned with RIIO-T2 assumptions and for RIIO-GT3 the data used is in line with NGT's Sector Specific Methodology Consultation response. Forecast actual gearing in RIIO-T2 is aligned with NGT's RFPR submission with 60% gearing assumed for the RIIO-GT3 price control period.

##### RIIO-3 Profile and comparison to historic data

The profile and trends across regulatory totex cost categories, non-totex costs and expenditure outside of the RIIO framework are discussed in the commentary associated with the relevant input table.

A summary of RIIO-GT3 TO totex is also included in Table 3.1 TO Totex commentary.

##### Justification for outliers

The outliers within regulatory totex cost categories, non-totex costs and expenditure outside of the RIIO framework are discussed in the commentary associated with the relevant input table.



Forecast sensitivity

The sensitivity of the various regulatory costs is largely dependent on the regulatory cost category under consideration. Forecast sensitivity is covered within the individual input table commentary.

Interactions with governmental policy

Interactions with governmental policy are referenced within the relevant individual input table commentary.

Benchmarking activities

Table 4.1 contains multiple regulatory cost categories, treasury and tax inputs. Where relevant, the specific benchmarking methodologies and outcomes are referenced within the relevant individual input table commentary.

BPDT references

Table 4.1 sources data from Tables 1.5 Universal Data, 3.1 TO Totex, 4.3 BP Tax inputs, 4.7 BP Disposals 1, 5.1 TO Indirects, [REDACTED], [REDACTED], [REDACTED].

Apportionment

Apportionment is not directly applicable to Table 4.1 BPFM Inputs TO. Any apportionment assumptions are noted against the table where the data is initially input.

## 4.2 BPFM Inputs SO

### Commentary

#### Assumptions

Ofgem's Finance Team confirmed (by email on 6 November 2024) that NGT is only required to submit one set of totex figures; the best view containing both baseline and uncertainty expenditure. Therefore, in order that the totex best view is represented in Table 4.1, being the table that provides inputs to the BPFM, the data in Table 11.6 Uncertainty Mechanisms is included within the variant allowances section. This is counter to the instructions for completion provided in the RIIO-GT3 Gas Transmission Price Control – BPDT Guidance, where Table 11.6 is described by Ofgem as a memo table meaning that the data included within it is standalone and does not flow through to the various totex tables. Also, the instructions given in the BPDT Guidance Table 11.6 Instructions for Completion state "Costs included in this table [11.6] as a re-opener should be excluded from the associated cost table". However, given the contradictory instructions for the BPDT and BPFM and the fact that Table 4.2 does not feed into any other tables within the BPDT, we have completed the table to provide the scenario required by Ofgem's Finance Team.

We have amended the formulae in rows 13 to 14 to align the non-variant spend to the current non-variant allowance reporting categories in RIIO-T2. Cyber totex is not split between capex and opex. Therefore, the full totex amount has been included in non-operational capex expenditure. These changes have been documented in the change log in Table 1.4.

There is a single capitalisation rate input provided for the SO. We have assumed a natural capitalisation rate for RIIO-GT3.

#### RIIO-3 Profile and comparison to historic data

The profile and trends across regulatory totex cost categories, non-totex costs and expenditure outside of the RIIO framework are discussed in the commentary associated with the relevant input table.

A summary of RIIO-GT3 TO totex is also included in Table 3.2 SO Totex commentary.

#### Justification for outliers

The outliers within regulatory totex cost categories, non-totex costs and expenditure outside of the RIIO framework are discussed in the commentary associated with the relevant input table.

#### Forecast sensitivity

The sensitivity of the various regulatory costs is largely dependent on the regulatory cost category under consideration. Forecast sensitivity is covered within the individual input table commentary.

#### Interactions with governmental policy

Interactions with governmental policy are referenced within the relevant individual input table commentary.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

BPDT references

Table 4.2 sources data from Tables 1.5 Universal Data, 3.2 SO Totex, 4.3 BP Tax inputs, 5.1 SO Indirects, 9.1 Operating Margins, 9.2 NTS Shrinkage and 9.3 Res Bal

Apportionment

Apportionment is not directly applicable to Table 4.2 BPFM Inputs SO. Any apportionment assumptions are noted against the table where the data is initially input.

### 4.3 BP Tax Inputs

#### Commentary

##### Assumptions

Ofgem's Finance Team confirmed (by email on 6 November 2024) that NGT is only required to submit one set of totex figures in the context of financial modelling; the best view containing both baseline and uncertainty expenditure. Therefore, Table 4.3 inputs are based on the best view of totex being the baseline totex (as per Tables 3.1 and 3.2) plus the uncertainty mechanism totex (as per Table 11.6).

Table 4.3 requires three primary data inputs – capital allowance rates, totex data and tax pool allocation percentages. The tax pool allocation percentages are applied to the totex data to calculate the additions allocated to the capital allowance pools each year which in turn generate each year's capital allowance entitlement.

The brought forward capital allowance tax written down values in 2013/14 and annual capex additions and transfers from 2013/14 to 2020/21 are taken from the PCFM aligned to RIIO-T1 close out and stated in nominal prices.

Additions, transfers and tax pool allocations for the RIIO-T2 period from 2021/22 to 2025/26 are based on the RRP24 submission and stated in nominal prices.

In RIIO-T2, first year capital allowances were introduced (130% and 50% superdeductions for 2021/22 and 2022/23, 100% and 50% expensing from 2023/24 to 2025/26 for the general and special rate pools, respectively). Qualifying percentages for 2021/22 and 2022/23 are based on the submitted tax returns for these periods, and qualifying percentages for 2023/24 to 2025/26 are based on the expected qualifying amounts to be included in future tax returns.

RIIO-GT3 totex data is aligned to the totex values included in the December BPDT submission.

For TO, it has been determined that calculating the forecast tax pool allocation using an average of tax pool allocations included in submitted tax returns represents the most appropriate basis for the forecast. The makeup of capital expenditure from a tax perspective is not expected to change significantly from prior years, therefore the average pool allocations to be included in future tax returns are not currently anticipated to change significantly from the historical average. The sample of tax pool allocations has been taken from the tax returns for the years ended 31 March 2020 to 31 March 2023, as this four-year period represents a sufficiently large sample of actual capital allowance claims on which to base the average pool allocation calculation.

It is not possible to analyse actual capital allowance claims into the regulatory spend categories as a breakdown of the statutory account expenditure at this level of detail is not available (the tax return capital allowance claims are based on the statutory accounts not regulatory categorisation). Therefore, in order to ensure the overall allocation of capital allowances remains in line with the historic averages, the same percentage allocation is used for each of the regulatory spend categories. This does not include network operating and indirect opex as these items are allocated 100% to the revenue tax pool.

For SO, there is significantly less variance in the nature of the capex as it consists predominantly of IT expenditure, which qualifies for general pool capital allowances. The tax pool allocation reflects this, with all capex allocated to the general pool.

### RIIO-3 Profile and comparison to historic data

Capital allowances are forecast to increase from 2026/27 to 2028/29, and then reduce from 2029/30 to 2030/31. This movement is in line with overall totex, with higher levels of totex from 2026/27 to 2028/29 resulting in higher capital allowances.

Overall, capital allowances are forecast to be higher in the RIIO-GT3 period than RIIO-T2 (£3.3bn in RIIO-GT3 compared with £1.9bn in RIIO-T2 in nominal prices) due to:

- A higher overall totex forecast (£5.8bn RIIO-GT3 vs £3.2bn RIIO-T2 in a nominal price base).
- A greater proportion of capex is forecast to qualify for general pool rather than special rate pool capital allowances, based on the historical average from the latest submitted tax returns noted above. For RIIO-GT3, 40.8% and 56.3% is forecast to qualify for the general pool and special rate pool respectively, compared with 34.3% and 63.5% in RIIO-T2.
- A greater proportion of capex is forecast to be eligible for first year expensing allowances in RIIO-GT3 for TO (100% of both general and special rate pool additions). During the first two years of RIIO-T2, 69% and 57% of general pool capex and 38% and 47% of special rate pool capex was eligible. This is because for the first two years of RIIO-T2, tax legislation excluded expenditure relating to contracts entered into prior to 3 March 2021. Similar restrictions were not repeated for the year 2023/24 onwards.
- The difference in capital allowances is offset in part by the fact that for the first two years of RIIO-T2, the first year allowance for general pool capex was a superdeduction of 130% of capex whereas in RIIO-GT3 the deduction is capped at 100%.

### Justification for outliers

N/a

### Forecast sensitivity

In the majority of cases, the required tax inputs are dependent on external factors outside of NGT's control, such as the capital allowance rates and regimes set out by HMRC. However, the tax pool additions are dependent on the magnitude of the totex plan. Totex expenditure sensitivities are included in the relevant input table commentary.

### Interactions with governmental policy

The prevailing corporation tax and capital allowance rates are dependent on the budget or autumn statement set out by the Chancellor of the Exchequer and subsequently published by HMRC.

### Benchmarking activities

N/a

### BPDT references

The totex values on which the additions to the tax pools are based are summarised in Tables 3.1 TO Totex Summary and 3.2 SO Totex Summary.

The capital tax allowances are not utilised elsewhere in the BPDT but are inputs to the Business Plan Financial Model (BPFM).

Apportionment

N/a



## 4.5 Liquidity Group

### Commentary

The purpose and use of Table 4.5 in the RIIO-GT3 Gas Transmission Price Control – BPDT Guidance states “This table is optional. It should be completed where respondents consider the standalone reporting for a licensee would give a misleading impression of the required business liquidity due to intra-group treasury management arrangements such as cash pooling.”

[REDACTED]



## 4.6 Liquidity Group Structure

### **Commentary**

#### RIIO-3 Profile and comparison to historic data

The Group Structure is the organisational chart as at the date of the RIIO-GT3 Business Plan submission. The liquidity group structure is managed with NGT being separate from its holding companies.

#### Justification for outliers

N/a

#### Forecast sensitivity

N/a

#### Interactions with governmental policy

N/a

#### Benchmarking activities

N/a

#### BPDT references

[REDACTED]

#### Apportionment

N/a

## 4.7 BP Disposals 1

### Commentary

#### Assumptions

RIIO-T1 data is populated directly from RRP submissions with inputs being in line with guidance provided for these previous submissions.

RIIO-T2 actual data for 2021/22 to 2023/24 inclusive, is sourced from NGT's system of record, as disposal data is not requested through the RIIO-T2 RRP process.

Disposals of Land and Buildings relate to disposals of leases not sale of property or land, therefore are included within the Land and Buildings disposals numbers as opposed to the Property and Associated Land disposal income. There is no income received as these were early terminations of leases.

Due to the Other category being excluded from Table 4.7, there are reconciling differences in 2013/14 to 2020/21 when compared to previous submissions (RRP and RIIO-T2 BPDT). The Other section in previous submissions related to values outside of the regulated business (TO and SO) and is therefore not relevant for this submission.

#### RIIO-3 Profile and comparison to historic data

RIIO-GT3 and forecast years of RIIO-T2 (2024/25 and 2025/26) inputs are included at nil value due to potential commercial sensitivity and lack of certainty (for example, contracts not in place) of the specific asset to be disposed, completion date and value. This approach aligns with that taken in the RIIO-T2 price control submission.

NGT does not typically undertake large disposals. Historically, years displaying large disposals (both in volume and value e.g. £139m property and land disposal in 2016/17) have related to entity level transactions. For example, the Cadent sale in 2016/17 and transfers to other entities within the wider National Grid Group before the NGT separation to become a stand-alone organisation (2021/22 across various fixed asset categories). Disposals post separation are due to disposal of assets which are no longer being utilised (2022/23 to 2023/24 across various fixed asset categories).

#### Justification for outliers

The main disposals relating to property and its associated land disposals arose from three key events; the Cadent sale, migration of data onto SAP Fiori and National Gas becoming a stand-alone business.

#### Forecast sensitivity

It is likely that assets will be disposed of through the RIIO-GT3 period. However, we are not anticipating material disposals with transactions only arising due to assets being no longer in use.

#### Interactions with governmental policy

Whilst there is no governmental policy that applies to the asset disposals, Standard Special Condition A27: Disposal of Assets and restrictions on charges over Receivables within NGT's RIIO-T2 licence places restrictions on disposal over which NGT has operational control. This condition is modified by the evergreen consent in place which permits NGT to enter into a Relinquishment of Operational Control (ROC) agreement or arrangement whereby ROC of a transportation asset ceases to be under the sole control of NGG without giving prior notice to Ofgem under terms directed by Ofgem.

[REDACTED]

BPDT references

The property and associated land disposals with a net book value of £1.5m are listed by asset in Table 4.8 BP Disposals 2.

Apportionment

N/a

## 4.8 BP Disposals 2

### Commentary

#### Assumptions

RIIO-T1 actual cost data from 2013/14 to 2018/19 inclusive, is sourced from the RIIO-T2 BPDT and from the relevant year RIIO-T1 RRP submissions for 2019/20 and 2020/21. As the data is populated directly from previous submissions, the inputs are line with guidance provided for these previous submissions.

RIIO-T2 actual data for 2021/22 to 2023/24 inclusive is sourced from NGT's system of record, as disposal data is not requested through the RIIO-T2 RRP process. The narrative and assumptions for Table 4.7 provide details on assumptions for the data included within Property and Associated Land disposal income.

The historic information for years 2013/14 to 2020/21 is sourced from previous submissions (RIIO-T2 BPDT and RRP). The information within the submissions does not specify the entity it relates to and will include information relating to the Other category excluded from Table 4.7. Historical data (other than that presented through regulatory submissions) is not available as result of the separation from National Grid and we are therefore unable to identify what data relates to Other and should be removed. Table 4.8 therefore includes all data from historical submissions.

#### RIIO-3 Profile and comparison to historic data

No disposal values are included for RIIO-GT3 and forecast years of RIIO-T2 (2024/25 and 2025/26) due to potential commercial sensitivity and lack of certainty (for example, contracts not in place) of the specific asset to be disposed, completion date and value. This approach aligns with that taken in the RIIO-T2 price control submission.

#### Justification for outliers

The main disposals relating to property and its associated land disposals arose from three key events; the Cadent sale, migration of data onto SAP Fiori and National Gas becoming a stand-alone business.

#### Forecast sensitivity

It is likely that assets will be disposed of through the RIIO-GT3 period. However, we are not anticipating material disposals with transactions only arising due to assets being no longer in use.

#### Interactions with governmental policy

Whilst there is no governmental policy that applies to the asset disposals, Standard Special Condition A27: Disposal of Assets and restrictions on charges over Receivables within NGT's RIIO-T2 license places restrictions on disposal over which NGT has operational control. This condition is modified by the evergreen consent in place which permits NGT to enter into a Relinquishment of Operational Control (ROC) agreement or arrangement whereby ROC of a transportation asset ceases to be under the sole control of NGG without giving prior notice to Ofgem under terms directed by Ofgem.

[REDACTED]

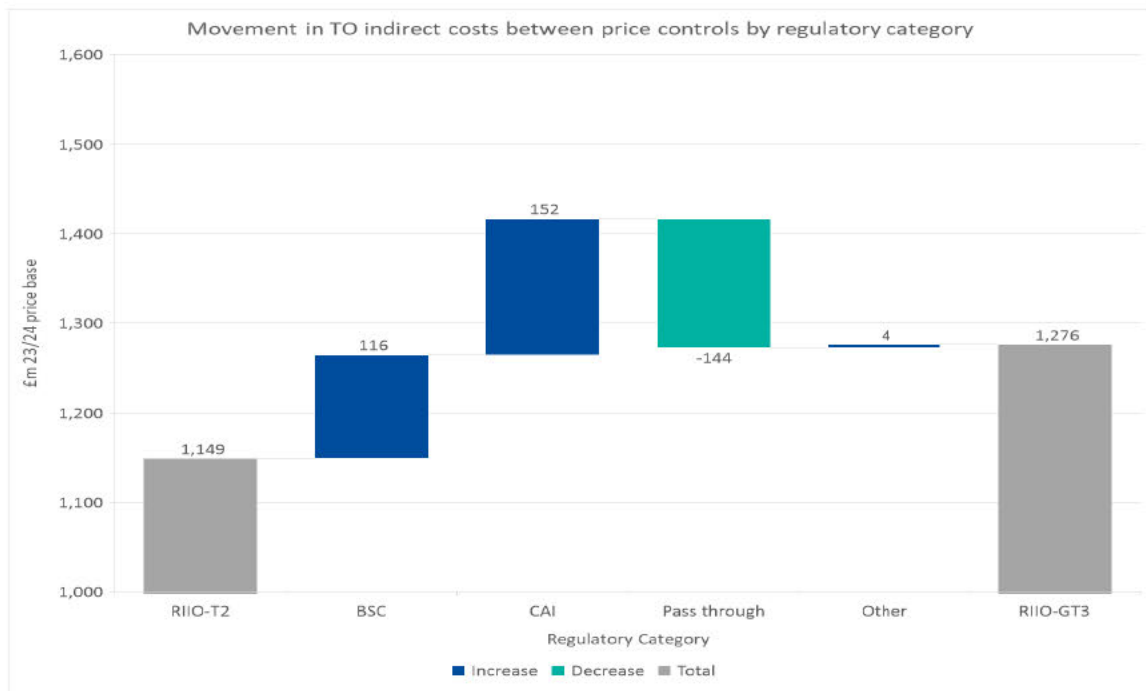
BPDT references

Table 4.8 includes further analysis of the property and associated land disposal income category within Table 4.7. As noted in the assumption section, Table 4.8 includes all data from previous submissions (including information pertaining to the Other category included in previous regulatory submission which has been removed from the RIIO-GT3 BPDT.

Apportionment

N/a





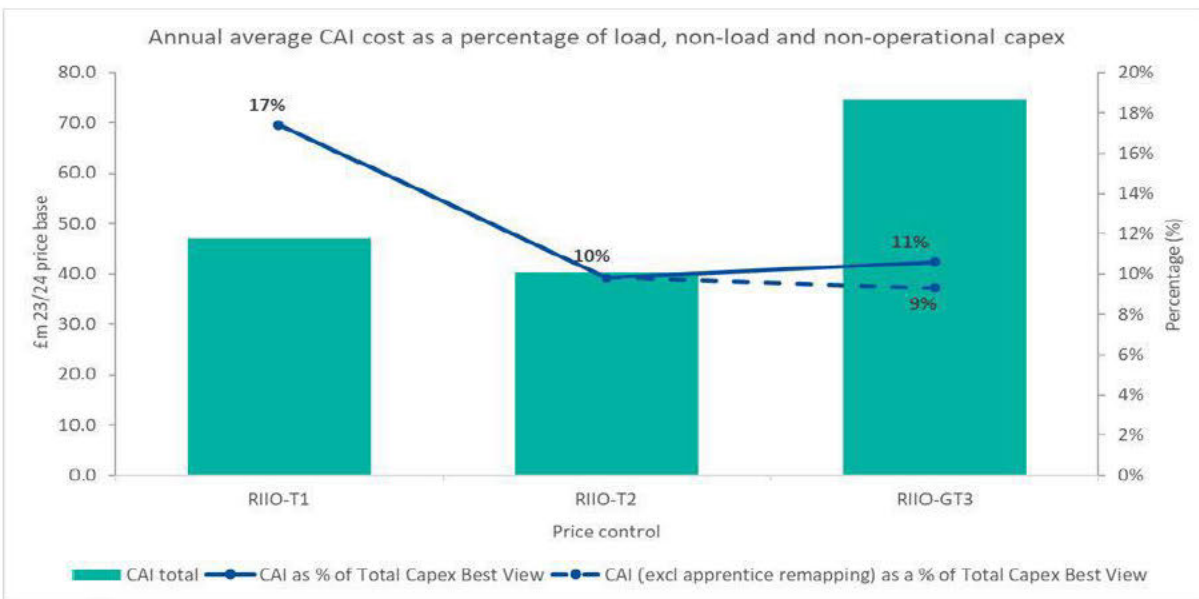
**Figure 5.1.1.** Movement in TO indirect costs across price controls

Net TO CAI costs are currently forecast at £312m for RIIO-GT3 compared with £160m for RIIO-T2. The CAI regulatory cost category relates to activities which support the load and non-load work we carry out on the Gas NTS but are not directly carried out on system assets.

CAI total expenditure (across TO and SO) in RIIO-GT3 reflects the scale of work required to deliver our network resilience strategy, changes in policy such as HSE and risk assessment and future proofing such as increasing apprentice intake.

Our total (TO and SO) CAI cost base has risen in absolute terms from an annual average cost of £40m in RIIO-T2 to £75m in RIIO-GT3 reflecting the increased interventions on the network. However, as shown in Figure 5.1.2, in relative terms, the CAI cost in comparison to total capex (best view capex used, to provide comparability to RIIO-T2 and recognise requirements to plan delivery of full business plan) decreases across the RIIO price control periods as we deliver and embed more efficient ways of working.

Across all CAI costs (including those categorised as SO), we have effectively embedded an efficiency of [REDACTED]



**Figure 5.1.2** : Comparison of TO and SO CAI as a percentage of capex over price control periods

The key drivers behind the increase in CAI costs are:

- Our larger capital programme enhancing the resilience of our network requires increased capacity and capability required of our asset function mainly impacting network design and engineering, engineering management and clerical support and network policy.
- An increase in maintenance activities, impacting HSE, driven by enhanced safety and environmental standards requiring additional technicians and operatives. Our internal policy team also identified changes required to comply with other standards including functional safety, pipeline maintenance and Dangerous Substances and Explosive Atmospheres Regulation (DSEAR) compliance.
- One-off HSE projects of £16m within the first 3 years to ensure our network risk is managed at appropriate levels. The projects inform future re-openers on capex investment and mainly relate to surveys to understand safety risk assessment and determine strategy for mitigation.
- Maintaining a higher level of recruitment and investment in training, expansion of our apprentice intake, setting up a new training facility and re-categorising all apprentice related spend from RIIO-GT3 impacting operational training.
- Award of a CNI networks contract for the stand-alone business based on a balanced scorecard of factors including price and a variety of quality, security and reliability measures commensurate with the criticality of the network. The diseconomies of scale post separation are partially offset by successful negotiation of rebates, impacting IT & Telecoms.
- Increase in our vehicle fleet by 38% to accommodate our growing workforce and investment on the network.

The method of forecasting pass through costs results in values similar to those incurred in RIIO-T2.



#### Justification for outliers

The first 3 years of RIIO-GT3 HSE spend includes £16m relating to one-off projects to ensure our network risk is managed at appropriate levels. The projects inform future re-openers on capex investment and mainly relate to surveys to understand safety risk assessment and determine strategy for mitigation.

#### Forecast sensitivity

Business support and operational training costs are input within Tables 5.8 and 5.13, respectively. Forecast sensitivities are discussed in the associated narratives.

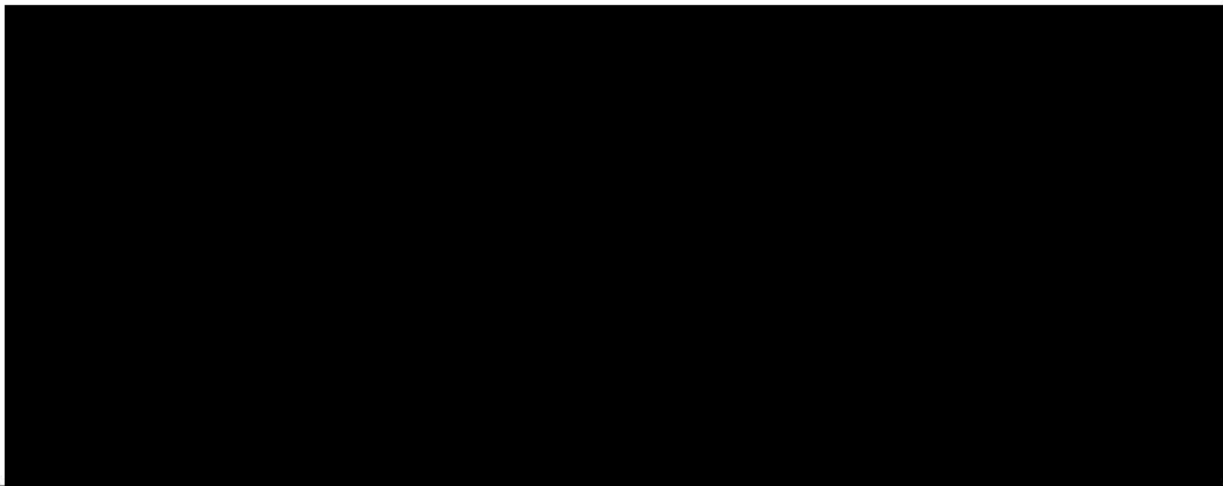
CAI forecasts for FTEs and other materials goods and services costs are built up based off specific drivers, hence general forecast sensitivity is low. The cost base will be impacted by economic factors such as labour market costs and constraints and vehicle fuel costs. The regulatory framework contains mechanisms which factor in such sensitivities. For example, if the Real Price Effect framework is set appropriately then fluctuations in such prices will be accounted for through flex in allowances.

The nature of pass through costs is that NGT has limited control over their value. Therefore, fluctuations from current forecasts are typically dependent on external factors and third parties. However, the pass through funding mechanism is such that the non-controllable characteristic is recognised with actual costs ultimately recognised in allowed revenue.

Depending on the outcomes of the 2025 and 2028 triennial actuarial valuations undertaken by the Trustee the pension allowance values published as part of Ofgem's subsequent reasonableness reviews may result in an established deficit repair allowance if the pension scheme position materially worsens before then. However, we do not expect that to be the case.

#### Interactions with governmental policy

The majority of the indirect costs are not directly impacted by specific government policies with the exception of pension scheme deficit payments. We do not expect recent changes to pension scheme funding regulations to impact our established deficit. We are not expecting any further material changes to pension scheme funding regulations over RIIO-GT3 but it is possible, but unlikely, that any such material changes could result in an established deficit repair allowance.



A table with five rows of data, all of which have been completely redacted with black bars.

BPDT references

Business support costs are sourced from Table 5.8 Bus Sup Alloc.

Apportionment

Total CAI costs for 2024/25 and 2025/26 are as reported within the RRP24 submission and are apportioned pro rata between categories based on the split of 2023/24 spend. The Business Support costs are apportioned as detailed in the commentary on Table 5.8 Bus Sup Alloc.

## 5.2 SO Indirects

### Commentary

#### Assumptions

The RIIO-T1 CAI data is sourced from the RRP14 to RRP21 submissions. Where a Regulatory Instructions and Guidance (RIGS) change in 2019 resulted in costs being reclassified from IT & Telecoms (business support costs) to Operational IT & Telecoms, this change has been applied retrospectively in line with RIIO-T1 PCFM reporting.

The RIIO-T2 CAI data is sourced from the RRP24 submission.

RIIO-GT3 Operational IT & Telecoms costs have been reviewed on a detailed contract by contract basis that was not previously feasible with the level of granularity provided under National Grid Transitional Service Agreements (TSAs). This has resulted in an updated view with greater apportionment to CAI and lower business support costs.

Xoserve Central Data Service Provider (CDSP) includes Service and Operate running costs and an allocation to NGT of Xoserve project costs. Values are from Xoserve's latest available forecast with Service and Operate costs flat at £2.3m per annum and project costs phased in line with expected project timing.

Bad debt costs are commercially sensitive and inherently difficult to forecast. We therefore assume nil cost.

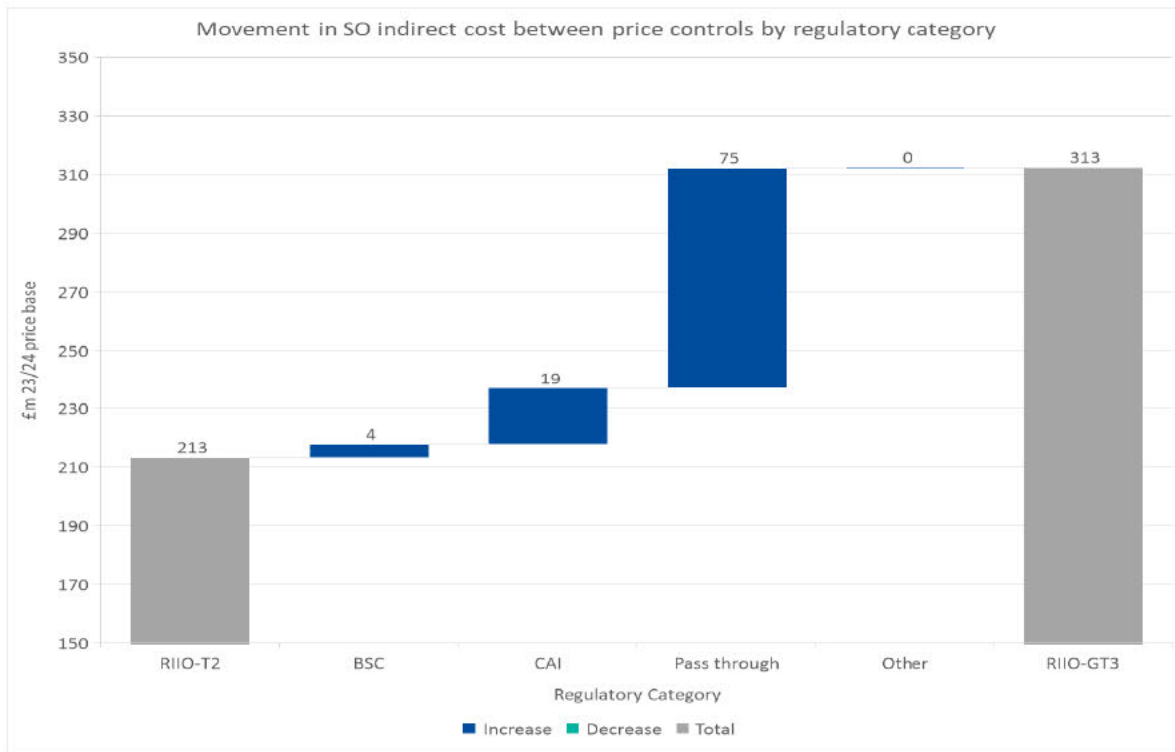
The pension deficit repair allowances are sourced from the relevant Price Control Financial Model for RIIO-T1, and from the relevant Ofgem reasonableness review for RIIO-T2. For the first year of RIIO-GT3 the EDE continues to be covered by the pension allowance values published by Ofgem as part of its 2023 reasonableness review. From 2027/28 onwards we have assumed no established deficit repair allowance as we expect the pension scheme not to have a deficit at the next (or subsequent) triennial actuarial valuation, based on the current position of the scheme. As such, we do not expect there to be a need for any contributions into the scheme in relation to an established deficit.

The RIIO-T1 pension admin and levy data is sourced from the relevant year RIIO-T1 RRP submission. The RIIO-T2 pension admin and levy data is sourced from the RRP24 submission.

#### RIIO-3 Profile and comparison to historic data

The NGT\_A12\_Cost\_Assessment\_and\_Benchmarking\_Approach\_RIIO\_GT3 annex sets out further information on closely associated indirect costs, business support costs and pass through costs.

SO indirect costs have increased to £313m in RIIO-GT3 compared with £213m in RIIO-T2 with the key drivers shown in Table 5.2.1:



**Figure 5.2.1. Movement in SO indirect costs across price controls**

SO CAI (net) costs are currently forecast at £61m for RIIO-GT3 compared with £41m for RIIO-T2. The CAI regulatory cost category relates to activities which support the load and non-load work we carry out on the Gas NTS but are not directly carried out on system assets. The key driver is increased Operational and IT costs of £21m. This is due to the allocation between the cost categories changing from RIIO-T2. NGT has undertaken a full review of IT contracts, post separation from National Grid, resulting in realignment of contract costs across the regulatory categories from Business Support to CAI.

The method of forecasting pass through costs results in values similar to those incurred in RIIO-T2.

Justification for outliers

Cost trends remain relatively flat within RIIO-GT3 with no outliers.

Forecast sensitivity

Business support costs are input with Table 5.8. Forecast sensitivities are discussed in the associated narrative.

CAI covers operational IT and telecoms and forecasts and HSE. Given our plan for FTEs and other materials goods and services costs is built up based off of specific drivers, general forecast sensitivity for these costs is low. The cost base could be impacted by economic factors such as labour market costs and constraints. The regulatory framework contains mechanisms which factor in such sensitivities. For example, if the Real Price

Effect framework is set appropriately then fluctuations in such prices will be accounted for through flex in allowances.

The nature of pass through costs is that NGT has limited control over their value. Therefore, fluctuations from current forecasts are typically dependent on external factors and third parties. However, the pass through funding mechanism is such that the non-controllable characteristic is recognised with actual costs ultimately recognised in allowed revenue.

Depending on the outcomes of the 2025 and 2028 triennial actuarial valuations undertaken by the Trustee the pension allowance values published as part of Ofgem's subsequent reasonableness reviews may result in an established deficit repair allowance if the pension scheme position materially worsens before then. However, we do not expect that to be the case.

#### Interactions with governmental policy

The majority of the indirect costs are not directly impacted by specific government policies with the exception of pension scheme deficit payments. We do not expect recent changes to pension scheme funding regulations to impact our established deficit. We are not expecting any further material changes to pension scheme funding regulations over the period covered by RIIO-GT3 but it is possible, but unlikely, that any such material changes could result in an established deficit repair allowance.

#### Benchmarking activities

Salary costs captured within indirect costs are benchmarked through NGT salary ranges and midpoints. These are extracted from routine benchmarking performed by NGT's People function, which references an external database to which multiple entities contribute cost data to ensure salary ranges and subsequent grade midpoints are competitive.

Non labour costs are informed by historical outturn data.

Total IT opex costs (combining CAI and business support) have been benchmarked by [REDACTED]. Benchmarking is performed against standard IT RTB metrics such as spend as a percentage of revenue and as a percentage of operating expenses. The outcome places us between peer average and 75th percentile against suggesting a high degree of service provision and quality and consistent with the higher security classification of our infrastructure compared to some peers. This may also be reflective of our accelerated move towards cloud-based solutions as part of our separation from National Grid Group, with such solutions spend being more heavily weighted to opex than capex. Further details on [REDACTED] benchmarking can be found in the [REDACTED] benchmarking report (NGT\_C01\_[REDACTED]\_Review\_of\_IT\_Costs\_and\_Benchmarking\_of\_comparable\_costs).

#### BPDT references

Business support costs are sourced from Table 5.8 Bus Sup Alloc.

#### Apportionment

Total CAI costs for 2024/25 and 2025/26 are as reported within the RRP24 submission and are apportioned pro rata between categories based on the split of 2023/24 spend.

The Business Support costs are apportioned as detailed in the commentary on Table 5.8 Bus Sup Alloc.

### 5.3 TO Direct Opex

#### Commentary

##### Assumptions

As discussed with Ofgem through the BPDT development process, from March 2024 to September 2024, the concept of gross and net costs with respect to direct opex is not recognised from an operational perspective and furthermore, is not clarified in the RIIO-GT3 Gas Transmission Price Control – BPDT Guidance. When applied to opex, gross costs are typically those prior to the capitalisation of FTE costs with net costs being the non-capitalised opex element. NGT's view is that gross direct opex costs would be equal to net direct opex costs. However, only net costs are populated within Table 5.3 as population of both net and gross costs would result in a double count of TO direct opex in Table 3.1 in rows 58 to 61.

Data for RIIO-T1 and RIIO-T2 is sourced from the RRP21 and RRP24 submissions, respectively. Data within 2013/14 includes -£7m provisions movement classified outside of totex in RRP14 but within totex in the RIIO-1 PCFM. This is reported against Other in row 43 of planned inspections and maintenance.

Cost data for RIIO-T1 was not collected and reported by project name as it was for RIIO-T2. Therefore, only totals have been provided for planned maintenance and inspections and faults as per the RRP21 submission.

Volume data for RIIO-T1 was not collected or reported. Therefore, this section of the table cannot be completed, and nil values have been input.

RIIO-GT3 includes £22m of costs in Planned Inspections and Maintenance for maintenance, Post Delivery Support Agreement and Gas Quality, Metering and Telemetry, opex costs previously reported in Cyber in RIIO-T2. These have been moved from Cyber at Ofgem's direction for RIIO-GT3.

##### RIIO-3 Profile and comparison to historic data

TO direct opex costs relate to our field-based workforce who are responsible for delivering asset steward responsibilities, in line with our ISO5500 compliant asset management-based organisational structure.

██  
██  
██  
██

Underlying trends in RIIO-GT3 faults and planned inspections and maintenance costs are largely in line with our RIIO-T2 costs representing the similar levels of underlying activities. The increase of £23m relates to a new innovative surveillance strategy for pipelines.

Surveillance activities ensure the smooth operation of the Gas NTS and public safety. Encroachment of our assets and surrounding areas can lead to asset damage and to safety concerns, which is becoming a greater risk with increased residential and commercial building, such as governments ambition to build an additional 1.5 million new homes over the next 5 years. A surveillance strategy aimed at increasing the level of surveillance and reducing time to identify issues is key to continuing successful operation and public safety.

The costs associated with the delivery and maintenance of the equipment and surveillance data are included within network operating costs. We will use complementary technologies alongside a risk-based approach to provide a robust and effective surveillance system. High risk sites will be monitored more closely and with greater

frequency than those considered low risk and the use of complementary technologies reduces the risk of over dependence on a single solution. Data analytics are used to help analyse the information from various sources and provide fast agile responses to any arising situations.

Of the RIIO-GT3 operational property cost base, £36m arises from own use electricity usage and running costs similar to 2023/24 levels. Each compressor station comprises two or more compressor units (jet engines) pressurising and directing gas through the NTS at speeds of up to 25 mph (40 km/h). We use electricity to power our compressor units. Our electricity costs are directly related to compressor running hours and the unit price of electricity.

Ongoing running costs associated with our operational property sites account for £18m of RIIO-GT3 expenditure. Our sites are party to lease agreements and have maintenance requirements to ensure the site is operating safely and effectively. Lease and maintenance costs represent consistent cyclical annual spend; leases have a fixed annual cost and maintenance works are carried out routinely as part of a maintenance schedule therefore costs are equally phased across the price control period.

#### Justification for outliers

Historically annual fluctuations in planned inspection and maintenance spend are not significant. The majority of works for planned inspections and maintenance are based on a schedule of works in line with industry regulations or specific to the assets on the network.

The nature of faults means we cannot predict when they will occur. We have assumed a flat phasing of cost across the RIIO-GT3 period. We expect the costs to fluctuate from period to period but to average out over the price control.

We have assumed a broadly consistent phasing of direct opex costs across RIIO-GT3.

#### Forecast sensitivity

Our own use electricity costs are directly related to compressor running hours and the unit price of electricity. Our annual compressor running hours are relatively consistent. However, we are subject to market rates and conditions for the unit price of electricity which has recently seen high levels of volatility. It is challenging to fully mitigate the risk of volatility in our own use electricity costs; hedging techniques were used in RIIO-T2 to help reduce risks and maintain a clearer, more accurate future forecast. Similar techniques will be utilised in RIIO-GT3 to ensure we are not unduly exposed to market fluctuations. A flat phasing based on recent run rates provides our best view of future electricity prices.

Our forecasts for FTE and other materials, goods and services costs are built up based on specific drivers, hence have a relatively low sensitivity.

The cost base could be impacted by economic factors such as labour market costs and constraints and utility costs. The regulatory framework contains mechanisms which factor in such sensitivities. For example, if the Real Price Effect framework is set appropriately then fluctuations in such prices will be accounted for through flex in allowances.

A major incident, such as extreme winter conditions could lead to significant cost increase, for example through additional repairs to faults increase materials and overtime spend. We plan and prepare for such an event every year and any spend in excess of allowances would be shared with customers through the Totex Incentive Mechanism.

In the case of a major incident on the network or a major global incident, cost considerations would become secondary to securing supply, safety and operation of the network. Our Gas Transmission licence accounts for such circumstances.  
Forecast costs for our operational property are based on annual maintenance contracts and therefore considered not to have any significant sensitivity.

Interactions with governmental policy

Whilst not directly affecting faults and inspections and maintenance policy, government ambition leading to increased residential and commercial building, impacts the risk and our approach to inspection hence the adoption of and investment in our new surveillance strategy.

[REDACTED]

BPDT references

N/a

Apportionment

Forecast cost data is collected at a total level for Faults and Planned inspections and maintenance as faults are either emerging events or become apparent during inspection work, hence an accurate split this far in advance of the RIIO-GT3 period is challenging. Costs are split between Faults and Planned inspections and maintenance assuming Faults will remain consistent with the RIIO-T2 average.

To enable categorisation by project name, the data has been apportioned using the historic run rate data provided in the RRP24 submission for 2021/22 to 2023/24, inclusive.

An average of these prior 3 years is calculated and used to apportion 2024/25, 2025/26 and RIIO-GT3 costs. This methodology was replicated for both Planned inspections and maintenance and Faults.

Forecast volume data per project name category, is calculated by determining a per unit cost from 2021/22 to 2023/24 data, which is then applied to the forecast costs.



## 5.4 SO Direct Opex

### Commentary

#### Assumptions

Data for RIIO-T1 and RIIO-T2 is sourced from the RRP14 to RRP21 and RRP24 submissions, respectively. The data input for 2013/14 includes -£3.5m reported under Provisions Movement in RRP, consistent with reporting in RIIO-T1.

RIIO-T1 was not reported against the same set of Sub Cat3 categories therefore a single line total has been entered in row 16.

The Xoserve costs reported under pass-through in RRP14-16 are treated as direct opex in line with the recategorisation from 2016/17 that was backdated in PCFM reporting. All Xoserve costs were included in Direct Opex in RIIO-T1. RIIO-T2 and RIIO-GT3 CDSP costs are treated as pass through.

Gross costs are not currently populated as the definition is not made clear within the BPDT Guidance and it is not a concept currently applied to direct opex.

Joint Office costs of £0.3m per annum are included with the Markets sub-category in line with RIIO-T2 reporting. NGT understands Gas Distribution Networks have proposed these costs be treated as pass through but Ofgem's response in SSMD stated they should continue to be submitted as TIM allowances.

Post completion of the data table NGT has been informed of expected cost increases due to the Joint Office expanding to take on code management responsibilities in RIIO-GT3. Based on initial forecasts received this would add a further £3.2m over RIIO-GT3 that is not included in the data table.

#### RIIO-3 Profile and comparison to historic data

SO direct costs are forecast to increase by £33m from £145m in RIIO-T2 to £178m in RIIO-GT3, equivalent to a 23% increase.

The increase in costs is primarily driven by the increase in SO FTEs required to support a range of activities including energy resilience, enhanced forecasting capabilities, delivery planning and managing the impact of changes to future gas markets. Key drivers by cost category are as follows:

- Operational Delivery increases from £12m in RIIO-T2 to £14m in RIIO-GT3 to manage the increased demand for network access required by the higher capital delivery program.
- Commercial and Incentives increases from £17m in RIIO-T2 to £20m in RIIO-GT3 with limited growth to support operational market delivery changes.
- System capability and risk increases from £17m in RIIO-T2 to £30m in RIIO-GT3 with key growth areas being expanding data science capabilities to enhance modelling and forecasting, network analysis for Hydrogen blending requests and resource to support the additional requirements of the Office for Resilience and Energy Management (OREM) and NESO.
- National Control increases from £38m in RIIO-T2 to £44m in RIIO-GT3 with the primary driver being support for governance, compliance and delivery of enhanced CAF profile.
- Markets increases from £15m in RIIO-T2 to £22m in RIIO-GT3 to support the development of whole system frameworks, facilitate changes required from the OREM, support NESO market development activities and manage market framework refinement as Hydrogen blending grows in volume and diversity.
- Xoserve costs reduce by £10m from RIIO-T2 to RIIO-GT3 due to savings delivered as part of Sustain Plus and lower costs from amortisation of historical Xoserve projects.

Sustain Plus is an enhancement program with Xoserve to modernise and enhance the existing platform in order to provide the Capacity & Balancing Services required.

- Energy resilience increases from £3m in RIIO-T2 to £16m in RIIO-GT3. This is a newly established team in RIIO-T2 setup to deliver DESNZ resilience requirements. Annual costs increase from £2m in 2026 to £3m from 2027 to enable delivery of emergency responds legislative requirements, enhanced market modelling and support engagement with NESO.

Justification for outliers

Historic and forecast trends do not exhibit any outliers.

Forecast sensitivity

In RIIO-T2 NGT has seen pressure on salary and benefits in SO direct opex due to the local demand for skills and experience in the Energy sector. Whilst this represents a risk, costs are based on current rates as this is judged to be the most objective view of likely future costs.

SO direct opex is also sensitive to significant external shocks that impact the UK gas market and significant changes in Government policy. The forecast costs submitted are based on NGTs best view of current policy.

Interactions with governmental policy

SO activities engage with government policy across a range of activities and government bodies. Forecasts are based on NGTs best view of current policy.

Further details on the role of SO are included in the System Operator annex.

[REDACTED]

BPDT references

N/a

Apportionment

Where costs have been allocated across one or more activities, these are apportioned equally if the costs support specific activities and on a spend weighted basis if costs support all activities. Costs apportioned include Head of GSO and a small number of other

teams who directly support GSO Teams. The exception to this is that no additional costs are apportioned to Xoserve.



[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Justification for outliers

Annual historic costs have fluctuated between £2m and £6m with no outliers. Given the methodology underpinning the forecast is to use a historic run rate, forecast costs also remain within this range.

Forecast sensitivity

Costs are incurred due to evidence-based claims submitted by landowners or their advisors and therefore forecast of these claims is driven by external factors out of our direct control.

We note Ofgem’s minded-to position in the SSMD to retain the Quarry and Loss re-opener. We support this position and draw Ofgem’s attention to our observation that costs are continuing to be incurred at an average level that is consistent with RIIO-T2 but the timing and scope of claims remains unpredictable.

Interactions with governmental policy

The quarry and loss workstream is based around the principles of the Compensation Code, where the affected party must be able to demonstrate their loss as a natural and reasonable consequence of the execution of the works. Should changes be made to the compensation code, we would follow accordingly.

Benchmarking activities

Quarry and loss of development claims arise from evidence-based claims submitted by landowners or their advisors to compensate for lost revenue due to the presence of a pipeline affecting the productivity or limiting utilisation of the land. As these claims originate with the landowners and are unique to the circumstances of each claim, they are not necessarily benchmarked, however, comparable evidence is used when assessing each claim to ensure consistency and market rates at the time of the claim.

BPDT references

Quarry and loss inputs flow through to row 56 on Table 3.1 TO Totex Summary thus forming part of the baseline totex plan.

Table 4.1 BPFM Inputs TO also row 17 also links to the Quarry and Loss input table. The quarry and loss data for RIIO-T2 and RIIO-GT3 therefore forms part of the baseline totex scenario used in the financeability analysis and supporting BPFM.

Apportionment

The split of RIIO-GT3 costs across the regions for forecast years has been provided based on historic run rate as it is expected future years will follow a similar trend.

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## 5.7 Provisions

### **Commentary**

#### Assumptions

Actual data only is populated in Table 5.7 with forecast years not required.

Data for RIIO-T1 and RIIO-T2 is sourced from the RRP21 and RRP24 submissions, respectively.

RRP submissions provisions reporting was subject to some re-categorisation of provisions in 2016/17 with 'Onerous lease provision' being assimilated into 'Restructuring provision – evolution'. Due to this and the requirement to report provisions within Table 5.7 in a constant 23/24 price base, opening and closing balances do not align.

#### RIIO-GT3 profile and comparison to RIIO-T2

Provisions are set up and moved in accordance with prevailing accounting standards. A provision is a present obligation as a result of past events with a liability of uncertain timing or amount. Our RIIO-GT3 plan includes any associated forecast movements which impact opex. These impacts are included within the opex plan rather than Table 5.7 which does not require forecast data.

#### Justification for outliers

N/a

#### Forecast sensitivity

Forecast data is not required for Table 5.7 and therefore forecast sensitivity commentary is not applicable.

#### Interactions with governmental policy

Provisions are typically based on legal and accounting requirements and do not relate to specific government policies.

#### Benchmarking activities

N/a

#### BPDT references

N/a

#### Apportionment

N/a

## 5.8 Business Support Allocation

### Commentary

#### Assumptions

Data for RIIO-T1 and RIIO-T2 is sourced from the RRP14 to RRP21 and RRP24 submissions, respectively. Forecasts for 2024/25 and 2025/26 are split between TO and SO and Business Support categories using a combination of pro rata spend based on 2023/24 and internal forecasts for known movements. This results in £7m increase in TO BSC and comparable reduction in SO BSC costs compared to RRP24 with the total NGT forecast remaining unchanged.

Classification between Business Support IT & Telecoms and CAI Operational IT & Telecoms was subject to a change in the Regulatory Instructions and Guidance (RIGS) part way through RIIO-T1 resulting in more costs being defined as CAI. This change has been reflected retrospectively in these tables in line with PCFM submissions from RIIO-T1.

Table 5.8 categorises each Business Support area of spend across entities; TO, SO, Non Reg – Other Group and Non Reg – External Customer. The assumptions applicable to the Non Reg - Other Group inputs are:

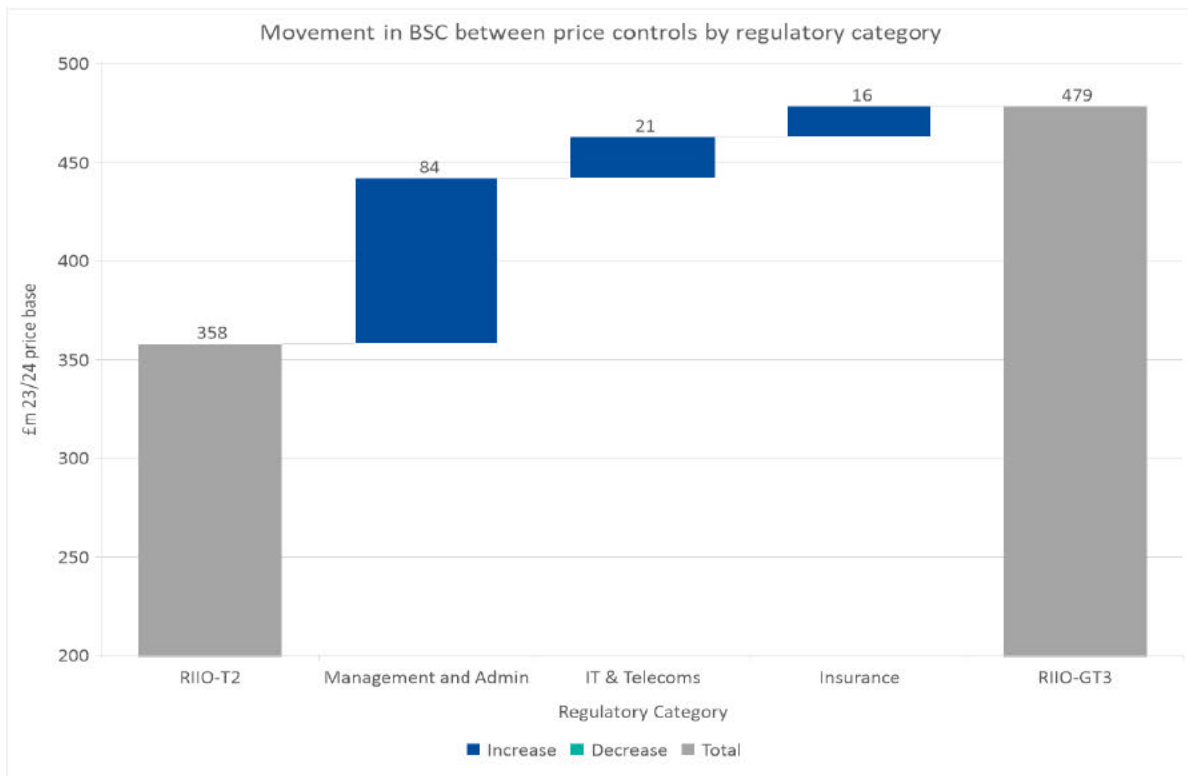
- Nil values are input prior to 2023/24, as the data reported in the RRP submissions reflect National Grid recharges to other group companies and are therefore not comparable with the NGT business prior to its existence as a stand-alone organisation.
- Costs charged from NGT to Other Group companies (National Gas Metering and unlicensed work undertaken by National Gas Services) are reflected. For the purpose of the RIIO-GT3 business plan, IT and Telecoms numbers are forecast on a purely NGT regulated basis and thus costs are not shown for recharges to other group companies.
- Data for 2024/25 and 2025/26 is not included in the RRP24 submission. For the purpose of this submission, values are assumed in line with 2023/24 as no significant changes in approach or scope are planned.

Business Support Costs comprise labour costs (51%) and other materials, goods and services (49%), such as materials and services sourced from third parties. A proportion of labour costs directly support our capital projects and are treated as capex via unit costs. The costs referred to in this section cover only the opex element of the indirect costs.

#### RIIO-3 Profile and comparison to historic data

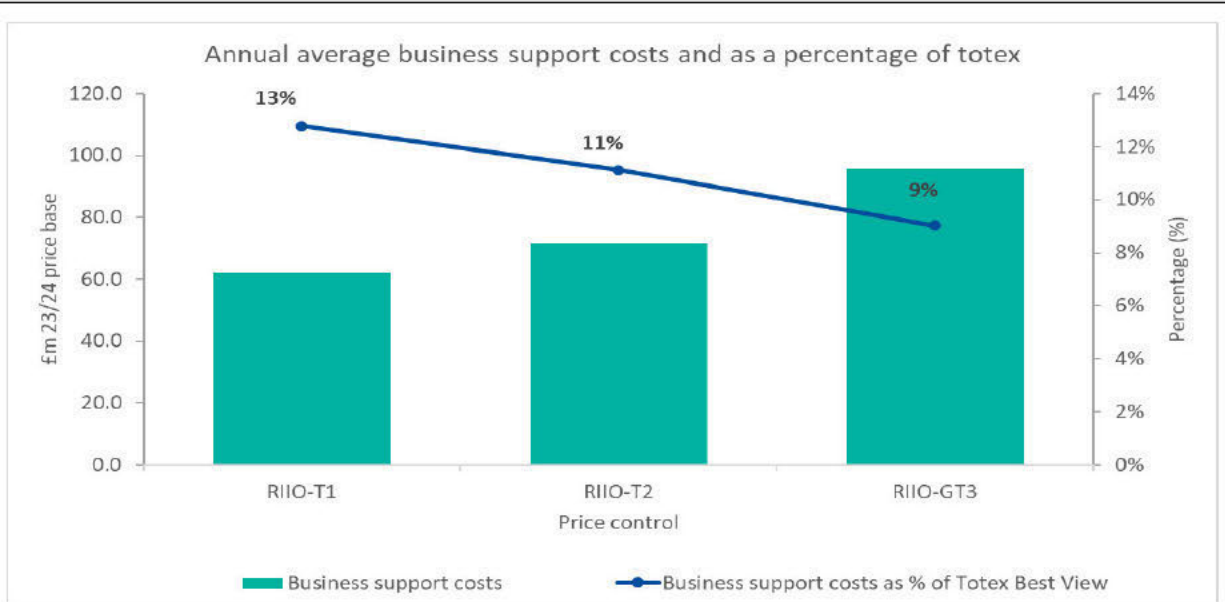
The Gas Transmission business has undergone a change in ownership in RIIO-T2. Prior to 1 February 2023 all business support functions operated from a single central function within National Grid Group plc and were allocated across the individual entities according to the Unified Cost Allocation Methodology as agreed between National Grid and Ofgem.

After separation, Transitional Service Agreements (TSAs) were set up with National Grid for the continuation of key services mostly relating to business support functions. The TSAs run for a maximum of two years, during which time support functions have been set up on a stand-alone basis having full control and responsibility for their own cost base.



**Figure 5.8.1 : Comparison of RIIO-GT3 and RIIO-T2 business support costs**

Net Business Support Costs increase from a total of £358m in RIIO-T2 to £479m in RIIO-GT3 (Figure 5.8.1). Management and Admin includes all management and administrative regulatory categories (Property management, HR and non-operational training, Finance, audit and regulation, procurement and CEO and group management) and is aligned to the NGT\_A12\_Cost Assessment and Benchmarking Approach\_RIIO\_GT3 annex. Business Support functions support reporting, monitoring and efficient delivery of operational activities with the size and associated cost of the functions reflects the size of the overall business and level of activity on the network. The cost base has risen from an annual average of £72m in RIIO-T2 to £96m in RIIO-GT3 reflecting the 65% increase in operational activity. Figure 5.8.2 shows Business Support Costs in comparison to Totex (used as a scaling factor for business size) decreasing across the RIIO price control periods as we absorb increased requirements into existing functions where possible and deliver and embed more efficient ways of working.



**Figure 5.8.2 : Business support costs as a proportion of totex**

The NGT\_A12\_Cost\_Assessment\_and\_Benchmarking\_Approach\_RIIO\_GT3 annex details the drivers for our RIIO-GT3 Business Support costs. In summary, these drivers are:

*Management and administrative functions*

- High capability requirements driven by a higher capital delivery plan for network resilience to support the energy transition and right sizing functions post separation.
- [REDACTED]
- An increase in financial, audit and control support reflecting increased network capex and our policy to invest in future capability of the function (£31m).
- A new procurement operating model with the aim of managing strategic supplier relationships and diversification of our supply chain to reduce bottlenecks and manage risks. The model also addresses the additional capacity and capability requirements resulting from the growth from GT2 to GT3 and addressing additional requirements of the Procurement Act.
- Recategorisation of £8m from CAI and Direct Opex into CEO and Group Management.
- Inclusion of £13m in incremental costs in RIIO-GT3 for the lowering of employer National Insurance contributions threshold to £5,000 per annum and increase in the rate of employer National Insurance contributions to 15%, announced in the UK Government budget on 30 October 2024. Whilst these costs will fall across all cost categories NGT has included them in a single category due to the change occurring late in the submission process

*IT & Telecoms*

- Organisational growth necessitating an increase in IT and Telecoms staff.
- Detailed contract review process recently undertaken which recategorises certain contract costs to CAI.
- The loss of some supplier discounts when re-contracting as a stand-alone business

### Insurance

- Prior to separation, insurance was managed centrally by National Grid with some policies managed through National Grid's captive insurance companies and others insured externally. Post separation, National Grid policies have been mirrored for business continuity but in a conventional insurance programme.
- Moving from assessment of major capital construction projects on a case-by-case basis to determine whether project specific policies are required to general cover across capital construction projects. The change in approach is driven by the increase in value of projects resulting in impracticality in individual assessment.
- In RIIO-T2, project specific insurance for major capital construction projects was treated as Capex with projects of lower value insured under a general construction policy and treated as opex. In RIIO-GT3, all insurance costs for capital programs will fall under a general policy and so be treated as opex. The combination of an increased capital program and change in policy results accounts for £6m of the increase in costs.

- Growth in FTEs increasing third party liability employer and vehicle liability.

### Justification for outliers

Our spend profile across RIIO-GT3 period is relatively stable and preparation for increases in ability in RIIO-GT3 are undertaken within the RIIO-T2 period, consistent with a ramp up in activities in RIIO-T2 ensuring we are prepared for day one of RIIO-GT3.

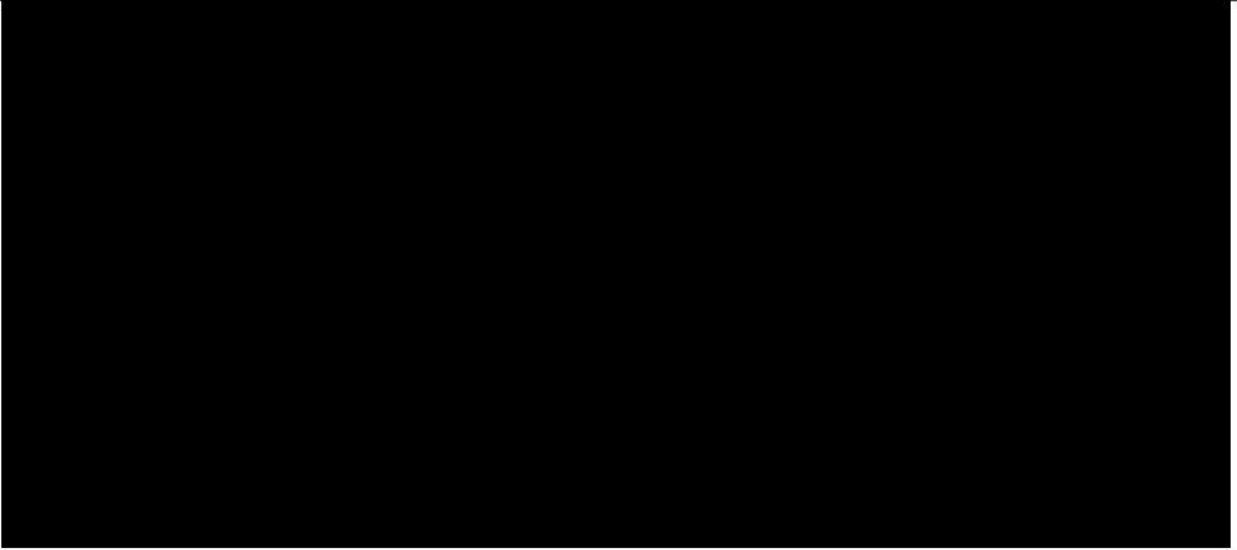
### Forecast sensitivity

Our forecasts for FTE and other materials, goods and services costs are built up based on specific drivers and contract costs, hence have a relatively low sensitivity.

Insurance costs are impacted by market rates and are therefore subject to a level of uncertainty in forecast periods, largely out of our control. Market rates are impacted by factors such as previous claims, wider market factors such as losses suffered on projects by other similar industries, companywide metrics (e.g. FTEs, revenue, vehicle numbers) and insurance/ re-insurance rates. We have assumed a flat insurance cost profile across the RIIO-GT3 period.

### Interactions with governmental policy

The procurement function is impacted by The Procurement Act 2023 which is bringing changes to regulations that govern UK procurement. Finance is affected by changes in taxation rules and legislation, changes in statutory reports and accounting requirements. Human resource function is required to follow employment laws and regulations, and the legal team ensure current and new laws and regulations are followed.



### BPDT references

Cost data is summarised in Table 5.1 TO Indirects rows 9 to 15 and 37 to 43 and Table 5.2 SO Indirects 9 to 15 and 36 to 42. The business support data in further feeds through to Table 3.1 TO Totex row 47, Table 3.2 SO Totex row 10, Table 4.1 BPFM Inputs TO row 17 and Table 4.2 BPFM Inputs SO row 14.

Insurance costs are input in further granularity for the post separation period from 2023/24 onwards in Table 5.14 Insurance Costs.

### Apportionment

We have followed our current RRP apportionment methodology. FTEs are apportioned in line with costs using the most relevant cost allocation driver per the Unified Cost Allocation Methodology (UCAM) methodology for each cost centre.

Forecasts for 2024/25 and 2025/26 are split between TO and SO and Business Support categories using a combination of pro rata spend based on 2023/24 and internal forecasts for known movements.

## 5.9 FTE

### Commentary

#### Assumptions

#### **RIIO-GT3**

Regarding allocation across regulatory categories for the RIIO-GT3 period, the following steps are set out in the order calculations are carried as some require the preceding steps to be calculated first. For example, capitalised FTEs can only be calculated once any allocation to Metering has been removed as the capitalisation rate is specific to Gas Transmission (GT). Key assumptions are underpinning the forecast are:

- Individual roles often include a range of activities spanning multiple regulatory cost categories. NGT's plan is built up on an operational role basis that does not allocate individual roles to multiple regulatory cost categories.
- FTEs and other opex overheads are built up in the current organisational structure of cost centres and teams which are then allocated to capex and opex, TO and SO and regulatory opex categories using existing RRP reporting assumptions updated where changes in RIIO-GT3 impact the cost allocations.
- The allocation assumptions applied to costs are used to derive the FTE split. This inherently involves making assumptions that:
  1. TO and SO allocations that apply to opex can be applied in the same proportion to capex.
  2. FTE costs are distributed across regulatory cost categories in the same proportion as total costs inclusive of overheads for each cost centre.

#### *Metering and Consented*

- Metering FTEs are those GT FTEs recharged to the Metering business, primarily comprising recharges from Business Support categories. The inputs do not include FTEs employed directly by National Gas Metering as these are outside the scope of the RIIO regulated business price control.
- Consented FTEs refers to National Gas Services (NGS) employees carrying out unlicensed work. NGS employees carry out both licensed and unlicensed work. Consented FTEs are calculated using the same percentage of unlicensed work applied to costs. Support functions FTEs that provide services to NGS are included in the Business Support categories with an overhead recharge included in CEO & Group Management regulatory cost category from a cost perspective in line with current reporting.

#### *Capex FTEs*

- FTE numbers are allocated between capex and opex using the same capitalisation percentages applied to costs. This assumes that capitalisation occurs evenly across the population of different FTE grades.
- The exception to the above is Operations Apprentices where the assumption is that none of these costs are capitalised.
- TO and SO capex FTE numbers are allocated using the standard cost drivers (as applied under the Unified Cost Allocation Methodology agreed with Ofgem) used to allocate costs. These drivers have only previously been used to allocate opex costs

therefore the assumption is that capex costs would be incurred in the same proportions as opex.

- The capitalisation assumption also includes transfers to some projects that may end up categorised as opex (e.g. Innovation). This is not expected to be a significant element overall and there is no obvious alternative category for these costs in the FTE table therefore 'Capex' is deemed the most appropriate categorisation.

#### *Opex FTEs*

- Opex FTEs are calculated as the balance after removing all of the above categories from total FTEs
- TO and SO opex FTEs are split using the standard cost drivers (as applied under the Unified Cost Allocation Methodology) used to allocate costs. This assumes FTE costs are in the same proportion as the overall opex costs which include other overheads.
- TO and SO FTEs are split between opex regulatory categories using the same mapping as applied to costs. This assumes FTE costs are in the same proportion as the overall opex costs which include other overheads.

#### *Assumptions for contractor and related party FTEs*

Contractor FTEs for capex projects are calculated on a high level basis by theme. A sample of RIIO-GT3 project cost estimates is taken for each theme and the proportion of third party labour costs derived. The average by theme is then applied to the Asset Management Plan giving an indicative labour cost. This indicative labour cost was divided by an estimated FTE cost by theme, itself derived using hourly rates for the most commonly used labour categories. These figures are a proxy and will vary based on changes to the work plan.

For Non-Operational IT & Telecoms capex, contractors are calculated from detailed costings used to build up the cost of each investment.

Contractors for Cyber capex and opex are aligned to the FTC definition in tables 5.16a and 5.16b.

No Related Party FTEs are forecast in RIIO-GT3.

#### **RIIO-2 period**

##### *TO and SO FTEs*

RIIO-T2 TO FTEs up to and including 2023/24 are as per the RRP24 submission. The RIIO-T2 RRP table requires only TO FTEs to be reported. For the purpose of the RIIO-GT3 Business Plan submission, SO numbers have been populated using the same source data as the TO inputs.

TO and SO FTEs for 2024/25 and 2025/26 are based on latest available forecasts. TO and SO FTEs are allocated to regulatory categories using the following assumptions:

- Values reported are in line with RRP24 where data is available. This covers Total TO FTEs, TO Capex FTEs and TO Consented FTEs.
- Metering FTEs are assumed to be flat in line with RIIO-GT3 as the level of support is stable.

- [REDACTED]



- Direct Opex Trainees and Apprentices are entered where known for 2023/24 to 2026/27. Where data pre separation data is unavailable, these FTEs are reported within other categories
- All remaining TO and SO FTEs are allocated between remaining categories on a pro rata basis. This is weighted using FTEs per £m of spend in RIIO-GT3 so that categories with a higher proportion of costs in FTEs attract a higher weighting. This implicitly assumes the assumptions for RIIO-GT3 apply to RIIO-T2.

#### *Contractor and Related Party FTEs*

FTEs reported as Contractors in RRP24 are included in the TO and SO FTE sections and not in this section. Based on guidance issued by Ofgem, NGT has assumed that agency roles within NGTs organisational structure should not be classified as Contractors for the purposes of this table.

Contractor Capex FTEs are calculated on a high-level, pro rata basis with capex spend using the ratio of contractors to spend calculated for RIIO-GT3.

Other categories are populated where reasonable estimates of FTEs can be made and include Cyber aligned to FTE and FTC definitions in Tables 5.16a and 5.16b, National Grid Transition Support Agreements (TSAs) for IT / Finance and CapGemini offshore services for Finance. National Grid TSAs are included in this section rather than Related Party FTEs reflecting the RIIO-GT3 position where NGT is a fully stand-alone organisation.

#### **RIIO-T1**

RIIO-T1 data for 2013/14 to 2018/19 was reported in the relevant year RRP for TO and SO. There was no FTE reporting requirement for the final 2 years of RIIO-T1. These years' inputs are left blank (rather than populated with nil values) to reflect that data is not available. RIIO-T1 TO and SO FTEs are included as per the RRP submissions with Business Support FTEs apportioned to TO and SO based on the proportion of costs in each Business Support Cost category allocated to TO and SO.

#### RIIO-3 Profile and comparison to historic data

TO FTEs are forecast to increase by 305 FTEs from 2,235 in the final year of RIIO-T2 to 2,540 in the final year of the RIIO-GT3 period, equivalent to a 14% increase. SO FTEs are forecast to increase by 67 FTEs from 454 in the final year of RIIO-T2 to 521 in the final year of RIIO-GT3, equivalent to a 15% increase.

Costs associated with FTEs are apportioned between capex and opex according to the capitalisation rate for each function. The capitalisation rate reflects the proportion of work or time spent on project or asset specific activities. The remaining FTE costs form the opex FTE cost base.

The key drivers behind the increase in FTEs are:

- Increase in capex investment plan across all capex categories requiring additional support to deliver.
- A change to NGT's maintenance strategy; aligning to international standards, new scrub clearance procedures and additional technicians to undertake routine maintenance and visual inspections impacting TO FTE numbers.
- Increased investment in trainees in our maintenance teams to ensure NGT has sufficient numbers of suitably qualified staff in the RIIO-GT3 period and the future.

- Increased activity across energy resilience, security of supply, NESO support, planning and supporting more outages to deliver the capital plan and managing the impact of changes to future gas markets resulting in an increase in SO FTE requirements.
- Increased FTEs associated within cyber security aligned to the latest Security Target Operating Model. Cyber security FTEs inputs are dependent on the RIIO-T2 re-opener submission process running in parallel to the Business Plan submission.

NGT actively review and manage fluctuations in resource requirements to ensure efficiency in utilisation and cost base. For example, fluctuations in IT & Telecoms resource requirements will be accommodated through our outsourced partners, variability in Procurement resourcing will be managed through agency staff and the HR function will absorb a proportion of the 18% increase in companywide FTEs though managing additional vacancies per head of the function.

Justification for outliers

N/a

Forecast sensitivity

The primary sensitivity of FTEs is to the size of the overall investment plan. The RIIO-GT3 forecast has been scaled appropriately to the scale of investment submitted in the plan.

Interactions with governmental policy

Government policy indirectly impacts FTEs through the investment decisions it drives as identified in commentary associated with other input tables.

Benchmarking activities

All salaries are benchmarked through NGT salary ranges and midpoints. These are extracted from routine benchmarking performed by our People function, which references an external database to which multiple entities contribute cost data to ensure salary ranges and subsequent grade midpoints are competitive.

NGT appointed an external consultant, ██████████ to carry out a benchmarking exercise on our Business Support Cost categories. The benchmarking exercise also considers the size of the Business Support Functions against a comparator peer set.

BPDT references

N/a

Apportionment

Several apportionment assumptions were required to populate this table. These are covered in more detail in the assumptions section and include:

- TO and SO FTEs are apportioned in line with costs.
- Capex and opex FTEs are apportioned in line with costs.
- We have followed our current RRP apportionment methodology. Costs are apportioned using the most relevant cost allocation driver per the Unified Cost Allocation Methodology (UCAM) methodology.
- RIIO-T2 FTEs are apportioned using category spend and RIIO-GT3 FTE to spend ratio by category where numbers are not available from historical reporting.

## 5.10 IT&T Cost

<b>Commentary</b>			
<p><u>Assumptions</u></p> <p>Until 31 January 2023, NGT was part of the National Grid Group with costs allocated from an IT and Telecoms function which provided services across group companies. From 1 February 2023 for a 24-month period, NGT has a Transitional Service Agreement (TSA) contract in place with National Grid continuing to provide services at the cost agreed under the TSA. On exiting the TSA, NGT will have a stand-alone IT and Telecoms function. The granularity, categorisation and availability of IT and Telecoms cost data varies across these distinct periods.</p> <p>The pre-separation and TSA costs have been aligned to the RIIO-GT3 regulatory categories as per Table 5.10.1.</p>			
<b>RIIO-GT3 BPDT categorisation</b>	<b>RIIO-T2 Business Plan (pre- separation) cost category mapping</b>	<b>TSA cost category mapping</b>	<b>Activity description</b>
	<b>Applicable from 2013/14 to 31 Jan 2023</b>	<b>Applicable from 1 Feb 2023 until 2024/25</b>	
<b>Architecture &amp; Engineering</b>	Application Development	Architecture & Engineering	Solution strategy and design
<b>Infrastructure &amp; Ops</b>	Application Maintenance & Support	IT App Licences, Support & Maintenance	Ongoing licensing, support, maintenance, hosting and development activities to ensure app and telecom
	Application Server Support	App hosting	
	Storage	-	
	Network (LAN and WAN)	Network and telephony	
	Business Telecoms		
Desktop Services	IT Ops and End Users		
<b>Portfolio Delivery</b>	-	-	Project management activities
<b>Digital and Business Development</b>	-	-	Business solutions
<b>People Support</b>	Management Services	IT People Support Services	Interaction with business to ascertain current and future requirements Interaction with external parties to source requirements
-	Central Printing	-	Not required as nil inputs for GT2 and GT3

			business plan submission
-	-	Costs not under TSA	Applies for TSA period only, not proposing to split out into cost streams for regulatory purposes.

**Table 5.10.1** : Mapping to RIIO-GT3 cost categories

Inputs for 2021/22 and 2022/23 have not been included in the submission as NGT does not have the required granularity of data. RIIO-T1 and RIIO-T2 values include project opex costs as it was not possible for NGT to isolate the balance from our previous reporting environment as mentioned above.

RIIO-GT3 is populated exclusive of additional opex costs that result from IT Project investments and will be assessed as part of these investments. These total £22m across RIIO-GT3. However, these costs are included in Table 5.8.

RIIO-3 Profile and comparison to historic data

Costs represent IT and Telecoms business support costs, comprising people costs based on NGT’s target operating model for IT, and non-people costs, comprising all third party spend which is categorised within the Infrastructure and Operations area (e.g. licensing, support, maintenance, hosting and networks).

People costs cover key areas such as service operations, vendor management, architecture, engineering, reporting and performance. The two areas that see an increase in people costs compared to RIIO-T2 are Architecture and Engineering (£4m) and People Support (£12m). Architecture and Engineering is the team supporting our larger team focusing on the solution strategy and design implementation. People Support costs are driven by an increase in IT FTE of 34 through support of a larger end user base than in RIIO-T2 and establishment of a stand-alone leadership team. Fluctuations in IT & Telecoms resource requirements to support our investment programme will be accommodated through our outsourced partners to ensure efficiency of our core people costs.

Non-people costs are flat across the RIIO-GT3 period in line with our end user base assumptions and represent our recently contracted position as a stand-alone company. We assume mitigation of any above inflation increases. All IT third party contracts were reviewed as part of the separation from National Grid and either renewed, novated or terminated as appropriate. As such our forecast cost base has a high degree of cost confidence as based on the latest contractual position. Average annual bought in services and software costs across RIIO-GT3 at £22m are at similar levels to those in RIIO-T2 of £21m. This is despite several cost pressures:

- A higher number of users in RIIO-GT3, driven by the increase in FTEs across the business. Our company wide workforce planning is detailed within our strategic workforce plan annex (Our NGT\_A13\_Workforce\_and\_Supply\_Chain\_Resilience\_Strategy\_RIIO\_GT3 annex details movements and key drivers for our FTE requirements).
- We no longer benefit from the National Grid Group economies of scale, resulting in the loss of some supplier volume discounts when re-contracting as a stand-alone business.

- We expect an increase in our consumption charges for our Azure and GCP cloud platforms as an indirect result of increasing FTEs, investment spend and project volumes over the RIIO-GT3 period.

#### Justification for outliers

Costs are broadly flat across the RIIO-GT3 period in line with our target operating model and end user base assumptions.

#### Forecast sensitivity

IT resources may be scarce and therefore wages and salaries are at risk of increase above normal inflation. IT non-resource costs are often subject to multi-year fixed price deals which could be subject to step changes in price upon renewal. The latest outlook from ██████ suggests upward pressure in excess of normal inflation.

It is therefore essential that these cost pressures are given due consideration when assessing the Real Price Effect framework.

#### Interactions with governmental policy

N/a

#### Benchmarking activities

Total IT opex costs (combining CAI and business support) have been benchmarked by ██████. Benchmarking is performed against standard IT RTB metrics such as spend as a percentage of revenue and as a percentage of operating expenses. The outcome places us between peer average and 75th percentile against suggesting a high degree of service provision and quality and consistent with the higher security classification of our infrastructure compared to some peers. This may also be reflective of our accelerated move towards cloud-based solutions as part of our separation from National Grid Group, with such solutions spend being more heavily weighted to opex than capex. Further details on ██████ benchmarking can be found in the ██████ benchmarking report (NGT\_C01\_██████\_Review\_of\_IT\_Costs\_and\_Benchmarking\_of\_comparable\_costs).

#### BPDT references

N/a

#### Apportionment

N/a

## 5.11 IT&T Alloc

### Commentary

#### Assumptions

Costs included in Table 5.11 represent IT and Telecoms Business Support costs (per Tables 5.1 and 5.2), Closely Associated Indirect costs (per Tables 5.1 and 5.2), and project opex costs associated with the investment programme. Inputs comprise people costs based on NGT's target operating model for IT, and non-people costs (e.g. licensing, support, maintenance, hosting and networks).

For RTB costs, people costs are fully attributed to non-operational costs, with nil costs included in operating costs.

Non-people costs have been assessed on a contract-by-contract basis and assigned to non-operational or operating costs as deemed appropriate following review by NGT's IT function. The same approach is applied to the entity allocation (TO/SO), with shared applications allocated using the IS Total Cost allocation driver, End User costs using the Headcount driver and Network costs the Infrastructure driver (per UCAM).

#### RIIO-3 Profile and comparison to historic data

IT and Telecoms costs are allocated across CAI and Business Support regulatory categories. The total of the combined CAI and Business Support costs has increased from RIIO-T2 levels of £239m to RIIO-GT3 costs forecast at £296m.

The main drivers underpinning the increase are:

- A higher number of users in RIIO-GT3, driven by the projected increase in FTEs across the business. Our company wide workforce planning is detailed within our strategic workforce plan annex (Our NGT\_A13\_Workforce\_and\_Supply\_Chain\_Resilience\_Strategy\_RIIO\_GT3 Annex details movements and key drivers for our FTE requirements).
- We no longer benefit from the National Grid Group economies of scale, resulting in the loss of some supplier volume discounts when re-contracting as a stand-alone business.
- An increase in our consumption charges for our Azure and GCP cloud platforms as an indirect result of increasing FTEs, investment spend and project volumes over the RIIO-GT3 period.

In addition, the allocation between the cost categories has changed as a result of NGT undertaking a full review of IT contracts, when setting up as a stand-alone organisation, resulting in realignment of contract costs across the regulatory categories from Business Support to CAI. This has resulted in an updated view with greater apportionment to CAI and lower Business Support Costs.

RTB costs are broadly flat across the RIIO-GT3 period with people costs based on NGT's target operating model and non-people costs on current contractual information for non-people.

#### Justification for outliers

Costs are broadly flat across the RIIO-GT3 period in line with our target operating model and end user base assumptions.

#### Forecast sensitivity

IT resources may be scarce and therefore wages and salaries are at risk of increase above normal inflation. IT non-resource costs are often subject to multi-year fixed price deals

which could be subject to step changes in price upon renewal. The latest outlook from [REDACTED] suggests upward pressure in excess of normal inflation.

It is therefore essential that these cost pressures are given due consideration when assessing the Real Price Effect framework.

#### Interactions with governmental policy

N/a

#### Benchmarking activities

Total IT opex costs (combining CAI and business support) have been benchmarked by [REDACTED]. Benchmarking is performed against standard IT RTB metrics such as spend as a percentage of revenue and as a percentage of operating expenses. The outcome places us between peer average and 75th percentile against suggesting a high degree of service provision and quality and consistent with the higher security classification of our infrastructure compared to some peers. This may also be reflective of our accelerated move towards cloud-based solutions as part of our separation from National Grid Group, with such solutions spend being more heavily weighted to opex than capex. Further details on [REDACTED] benchmarking can be found in the [REDACTED] benchmarking report (NGT\_C01\_ [REDACTED] Review\_of\_IT\_Costs\_and\_Benchmarking\_of\_comparable\_costs).

#### BPDT references

N/a

#### Apportionment

The apportionment of IT & Telecoms costs between TO and SO elements of the tables has been made using existing cost drivers, as described in the assumptions section, that are applied to apportion our costs for RRP reporting purposes and are subject to the annual UCAM review and approval process.

## 5.12 Property Costs

### Commentary

#### Assumptions

Data is input for the regulated and National Gas Services (NGS) businesses.

The primary function of NGS is to provide emergency pipeline response to the NTS and support the capital delivery programme and other interventions across our network. NGS spare capacity is utilised to provide consented services to third party customers (including emergency response and other pipeline services) to leverage NGS' specialist capabilities in safeguarding the wider UK gas network. This also supports the maintenance & development of NGS' competencies, particularly where emergency response is concerned. Data associated with the Gas Metering business is excluded from the table.

A breakdown of the costs by property for RIIO-T1 is not available as this data relates to pre-separation. Property data for RIIO-T1 was collected with all National Grid properties and then costs apportioned across the group to split out an apportionment applicable to National Gas. Therefore, whilst we can provide the total cost for property management costs in RIIO-T1 split between the TO and SO however we do not have the granular detail to split by property pre-separation.

RIIO-T2 data cannot be provided in the format set out in Table 5.12 as it is not required and therefore not collected at this level for RRP submissions.

Therefore, as per paragraph 1.15 in the BPDT Guidance, cost data for RIIO-T1 and RIIO-T2 is input into rows 77-78, columns F-M and rows 79-80, columns N-R respectively, and is reconcilable at a parent category (total) level.

██████████ is the only property to be included in the over £1m category. ██████████ is the only property to be included in the £0.5m to £1m category. All remaining properties fall within the less than £0.5m category which also includes costs for training centres.

The Land Rights team, comprising 11 FTEs, previously part of the Asset team was reallocated to Property in 2021.

#### RIIO-3 Profile and comparison to historic data

As part of the National Grid Group, National Gas previously accessed a network of buildings which included shared office facilities housing employees and shared services such as Business Services, IS and Pensions. The change in ownership resulted in an element of rationalisation, with teams migrating from shared sites to dedicated buildings and service areas.

This shift triggered a domino effect on property-related costs. Established separation rules, designed to ensure the autonomy of each business unit, and prevent any entanglement with third parties, demanded a complete re-evaluation of property allocations and locations.

The head office has faced a transformation into a building of multiple tenants. Its allocation, previously spread across a diverse range of entities, underwent a full recalibration. The goal was twofold: to support the newly independent businesses and to maintain the stringent separation mandated by the regulator.

The rationalisation of costs, while necessary, was not without its challenges. The separation of National Gas and the subsequent relocation of teams led to a renegotiation of leases and property services costs. The financial structure of property, which was previously predictable following years of stability, now required a shift in approach.



This initial complexity has resulted in a newfound clarity. The change in ownership has paved the way for a more streamlined and simplistic financial model. The head office allocation, which was previously based on a headcount methodology, now reflects the occupied area of each business, more focused in the independent business' requirements. Due to these substantial changes in cost allocation, comparing the current periods data table with previous periods will not provide a meaningful like-for-like analysis. The underlying cost structure has fundamentally changed, making direct comparisons inaccurate and potentially misleading.

Justification for outliers

The first year of RIIO-GT3 includes an additional £2m compared with the average annual costs across the rest of the period. This is due to the inclusion of professional costs to undertake preparation works required for the head office and control room relocation.

Forecast sensitivity

N/a

Interactions with governmental policy

N/a

[REDACTED]

BPDT references

Total property management costs are summarised in Table 5.8 Business Support Allocation.

Apportionment

Costs are apportioned against properties based on the annual total cost as per the BPDT Guidance. Properties with a total annual cost under £0.5m are combined in the Other category.

## 5.13 Op Training

### Commentary

#### Assumptions

Total training costs are calculated based on FTE as detailed in NGT\_A13\_Workforce\_and\_Supply\_Chain\_Resilience\_Strategy\_RIIO\_GT3, with assumptions for roles in scope for operational training across operatives, technicians, engineers, apprentices and others. This is applied to an estimated cost per person/per annum based on the latest forecast. Actual costs will vary depending on role complexity, experience of new recruits, emerging training and upskilling requirements.

Training requirements are modelled based on the current technical training annual learning plan which encompasses Mechanical Gas, Electrical & Instrumentation, General Plant and Engineering and Health, Safety & Environmental. The table also includes the costs associated with apprentices (payroll costs), the training and competency team which sits within operations and associated expenses.

The assumptions used to populate the table are:

- **New Recruits:** Cost and FTE is based on forecast apprentice intake and associated payroll costs.
- **Operational upskilling:** an assumed £750 per annum per person training allowances for Operations staff, calculated based on the latest forecasted rate per person per annual budget models and derived from historic run rate of actual costs. This covers training costs for general learning and development, continued professional development and other courses separate to technical training.
- **Trainer and course material costs:** total costs associated with technical training for operatives, engineers, technicians and other staff. This encompasses Mechanical Gas, Electrical & instrumentation, general plant and engineering and Health, Safety and Environmental training requirements. The training is essential to establish and maintain technical competencies of our workforce.
- **Training Centre and Training admin costs:** This covers the costs associated with employing the Training and Competency team which sits within Operations, averaging 34 FTE per annum in RIIO-GT3.

The trainer and course material costs will include costs for technical training associated with up skilling, new recruits (apprentices plus all other relevant staff) and refreshers. Therefore, it is not possible to split out the costs of operational refreshers from the cost of training provision section. The training days specifically for upskilling and refreshers are not populated on this basis, as the costs included in the total by cost type section of 5.13 will not correlate to training days volume input.

Leavers due to retirement data is not available and is not separately identified. However, the assumption for retirees is included within the "leavers due to other reasons" subsection which assumes a general rate of attrition.

Leavers will create vacancies which will need to be backfilled with new recruits that will need to undergo technical training and drive volatility in the cost base. The current rate of attrition forecast in FY25 and FY26 is 11% which is applied to the overall FTE submission per annum to determine an assumed rate of leavers (including retirees).

#### RIIO-3 Profile and comparison to historic data

Forecasts for 2024/25 and 2025/26 form a basis for the cost base in subsequent years. Data prior to 2024/25 is not available as prior to separation, training was centrally administered and delivered through Eakring Training Centre.

The key driver of the operational training cost increase is growth in apprentice intake and across the broader FTE population.

Justification for outliers

N/a

Forecast sensitivity

N/a

Interactions with governmental policy

N/a

[REDACTED]

BPDT references

This table gives a detailed view of the Operational Training included in Table 5.1.

Apportionment

N/a

## 5.14 Insurance Costs

### Commentary

#### Assumptions

Data for RIIO-T1 and RIIO-T2 is sourced from relevant year RRP submissions.

Data in the RIIO-T2 RRP is not required to be reported at the Insurance sub-category level for NGT. Whilst costs were detailed in RIIO-T1, the expenditure was allocated across categories at a National Grid level rather than for each entity. Therefore, costs are provided as a total for all regulatory years up to and including 2022/23. From the first full year of NGT as a stand-alone entity (2023/24) a split of costs has been provided.

#### RIIO-3 Profile and comparison to historic data

Insurance costs total £45m in RIIO-GT3, an increase of £16m over RIIO-T2.

The RIIO-GT3 forecast is based on the latest premiums from Marsh, our external insurance broker, with remodelling applied to reflect the uplift in NGT's totex plan and FTEs.

From 31 January 2023, NGT was detached completely from the prior insurance arrangements managed by National Grid. Therefore, from this date onwards, NGT has its own annual insurance arrangements. These represent a key change from the National Grid arrangements in that NGT has established a 'conventional' Insurance Programme with no captive involvement utilising world class, major insurance companies. The new annual insurance programme was placed so that it mirrors the prior National Grid insurance arrangements for reasons of business continuity.

During RIIO-T2, our major capital construction projects have been assessed on a case-by-case basis to determine if project specific policies are required. As the value of capital construction increases this will become increasingly difficult to manage and ensure appropriate cover is in place. We have therefore planned a change in policy to provide general cover across all capital construction projects.

Project specific insurance during RIIO-T2 for major capital construction projects was treated as Capex against individual projects, on the basis that the insurance cost is directly attributable to a specific project. Projects of lower value were insured under a general construction insurance policy and treated as Opex. In RIIO-GT3, all insurance costs for capital programs are treated as Opex, as these will be insured under a general insurance policy.

The combination of an increased capital program and the change in policy results in a £6m increase over RIIO-GT3 for insurance opex.

██  
██  
██

All other policies assume continuity with existing RIIO-T2 policies, adjusted for forecasted changes in key cost drivers. This primarily affects third party liability where assumed growth in employees results in higher employer liability and motor vehicle liability costs.

#### Justification for outliers

N/a

#### Forecast sensitivity

Insurance costs are renewed via an annual insurance program and represent an annual recurring cost. Policy costs are impacted by market rates and forecasts are therefore subject to a level of uncertainty largely out of our control. Market rates are impacted by a

variety of factors such as previous claims, wider market factors such as losses suffered on projects by other similar industries, companywide metrics (e.g. FTEs, revenue, vehicle numbers) and insurance/ re-insurance rates. Each insurance policy cost is driven by a variety of factors depending on the specific policy.

We have therefore assumed a flat insurance cost profile across the RIIO-GT3 period.

Interactions with governmental policy

Whilst Insurance costs can be impacted by legislative changes there are no known changes and therefore costs have been forecast assuming a stable policy and legislative environment.

[REDACTED]

BPDT references

The total insurance costs detailed in Table 5.14 are allocated across GTO and GSO in Table 5.8 Bus Sup Alloc in rows 53 and 54, respectively. The RIIO-GT3 insurance costs of £1m shown in row 55 for Non Reg – Other Group in Table 5.8 relate to the Gas Metering business and are in addition to the data inputs in Table 5.14.

In the RIIO-T2 RRP (and therefore replicated in Table 5.14) insurance costs charged to metering are not shown.

Apportionment

N/a

## 5.15 De Minimis, Directly Remunerated & Consented

### Commentary

#### Assumptions

The De Minimis, Directly Remunerated and Consented table only accommodates inputs for TO related data. The current Gas Transmission licence does not limit these elements of the framework to the TO, therefore inputs could also apply to the SO. It has been agreed with Ofgem that RIIO-T3 Price Control Financial Models will contain functionality to input SO equivalent data. However, for the purpose of the RIIO-GT3 Business Plan submission, the BPDT will continue to contain TO input cells only as SO forecast inputs would be assumed zero.

Data for 2013/14 to 2018/19 inclusive is sourced from the RIIO-T2 BPDT submission.

Directly Remunerated Services, De Minimis and Consented costs were not required to be reported on a disaggregated basis in the RRP for 2019/20 onwards. Directly Remunerated Services costs (referred to as Excluded Services in RIIO-T2) are reported in the RRP from 2019/20 at an aggregated level. We have assumed the Directly Remunerated Services total cost wholly relates to diversionary works under an obligation, in line with the costs incurred in RIIO-T2.

Due to the costs for the years 2019/20 to 2021/22 not having a RRP reporting requirement and this period being prior to NGT becoming a stand-alone organisation, the data for De Minimis and Consented costs is not available. These inputs have therefore deliberately been left blank and not entered as a zero value.

The inputs for 2022/23 and 2023/24 have been populated and sourced from NGT's system of record.

For forecast periods (2024/25 to 2030/31, inclusive):

- Diversionary works are forecast based on the latest information from customer requests to date. Cost have been built using data available from customer requests to provide an indication of what we can expect to incur in the future.
- Miscellaneous IS and Shared Services/Business services within consented services relates to cost incurred for services provided to our non-regulated business, National Gas Metering (NGM). These services are provided under a general service agreement (GSA) and recharged accordingly. These costs are forecasted based on historic outturn averages and FTEs, as the best indication of expected future costs within RIIO-GT3.
- Services for IDNs and Other third parties relates to costs incurred within our National Gas Services (NGS) business for works in relation to 3rd parties. The underlying cost base is based on historic actuals, the cost increase compared to RIIO-T2 is due to an increase in apprentice costs in line with the increase within our regulatory business.
- Consented and De Minimis property costs are based on a cost per site forecast utilising external property consultants.
- No costs are forecast within Other items <£500k in RIIO-GT3, in RIIO-T2 costs mainly related to running compressors at enhanced pressure due to high levels of transit gas at the start of Russia/ Ukraine conflict. Enhanced pressure compressor running is not a standard activity and not forecast for RIIO-GT3.

#### RIIO-3 Profile and comparison to historic data

The RIIO-GT3 Directly Remunerated Services forecast is built using data available from customer requests to provide a forecast of activities we expect to undertake. Diversion works in RIIO-T2 mainly relate to HS2 projects, RIIO-GT3 works relate to projects on road and railway requiring diversion works.

Consented activities are those which fall outside of the RIIO price control and to which the regulator has given its consent in writing.

Miscellaneous IS and Shared Services/ Business services relate to cost incurred for services provided to our non-regulated business, National Gas Metering (NGM). The services are provided under a general service agreement (GSA) and recharged accordingly. Forecasts are based on 2025/26 expected costs and FTEs as the best indicator of future expenditure.

Services for IDNs and Other 3rd Parties relate to costs incurred within our National Gas Services (NGS) business for works in relation to third parties. The underlying cost base is based on historic actuals; the cost increase compared to RIIO-T2 being due to an increase in apprentice costs in line with the increase within our regulatory business.

Consented property costs have reduced in RIIO-GT3 due to the exit of our Solihull office location. Remaining consented property costs are in line with RIIO-T2 for current premises.

De minimis activities fall outside of transmission activities and are limited to a financial cap under the Gas Transmission licence.

The property category relates to costs for land rental. Costs increase within RIIO-T2 and remain consistent throughout RIIO-GT3 due to additional properties purchased in 2023/24. No costs are forecast within Other items <£500k in RIIO-GT3. In RIIO-T2 costs mainly related to running compressors at enhanced pressure due to high levels of transit gas at the start of Russia/ Ukraine conflict. Enhanced pressure compressor running is not a standard activity and not forecast for RIIO-GT3.

#### Justification for outliers

N/a

#### Forecast sensitivity

Diversions works are determined by the requirements of the customer and are not initiated by NGT, therefore forecasting of these works is challenging. RIIO-GT3, costs are forecast based on the latest information of customer requests, however these are subject to change based on future customer requirements.

The regulatory framework adopted in RIIO-T2 recognises this uncertainty through providing a mechanism for within price control period true-up of Directly Remunerated Services revenues and costs.

#### Interactions with governmental policy

Diversions works may be impacted by government policy on commercial and residential building and infrastructure leading to gas diversions requirements.

#### Benchmarking activities

N/a

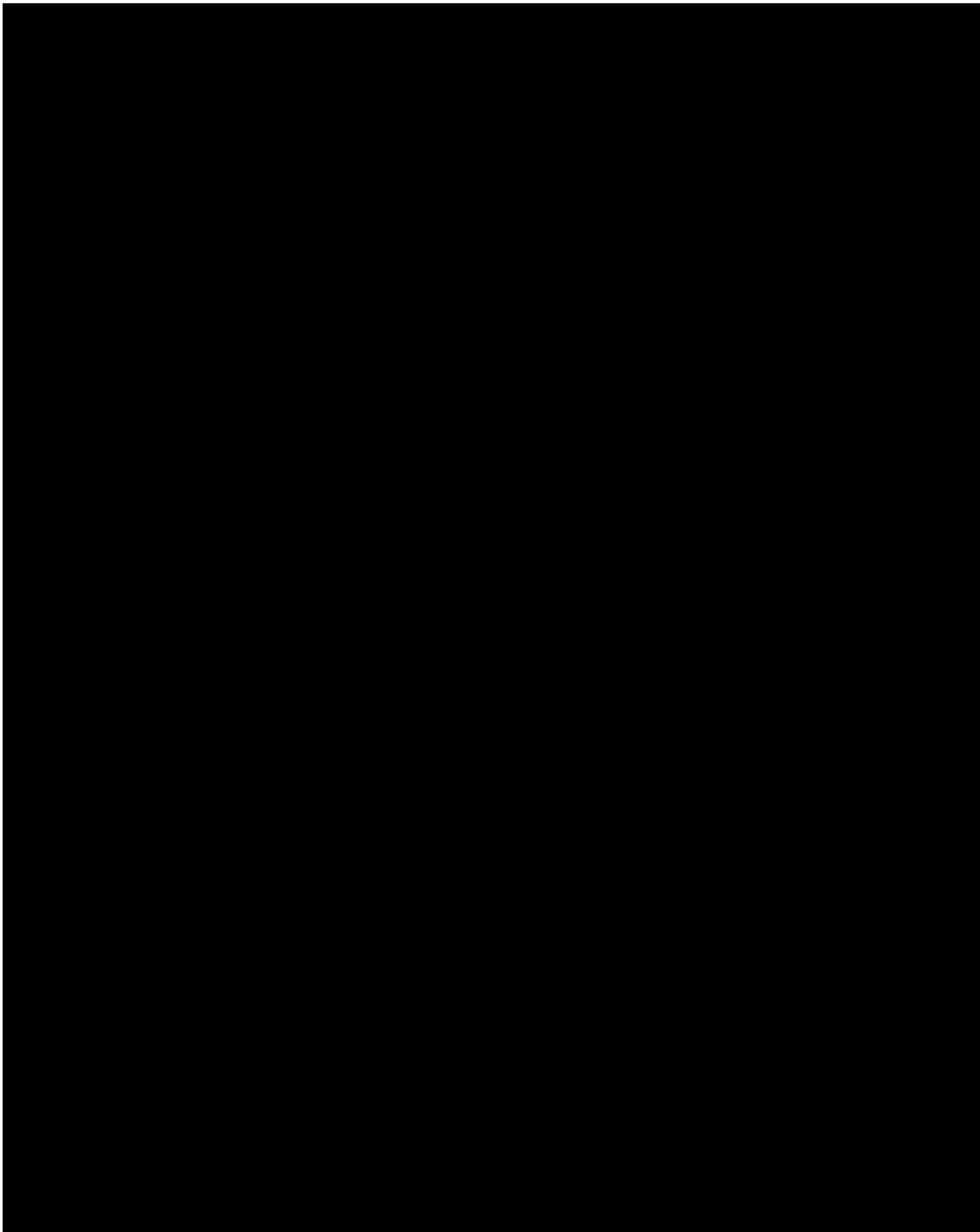
#### BPDT references

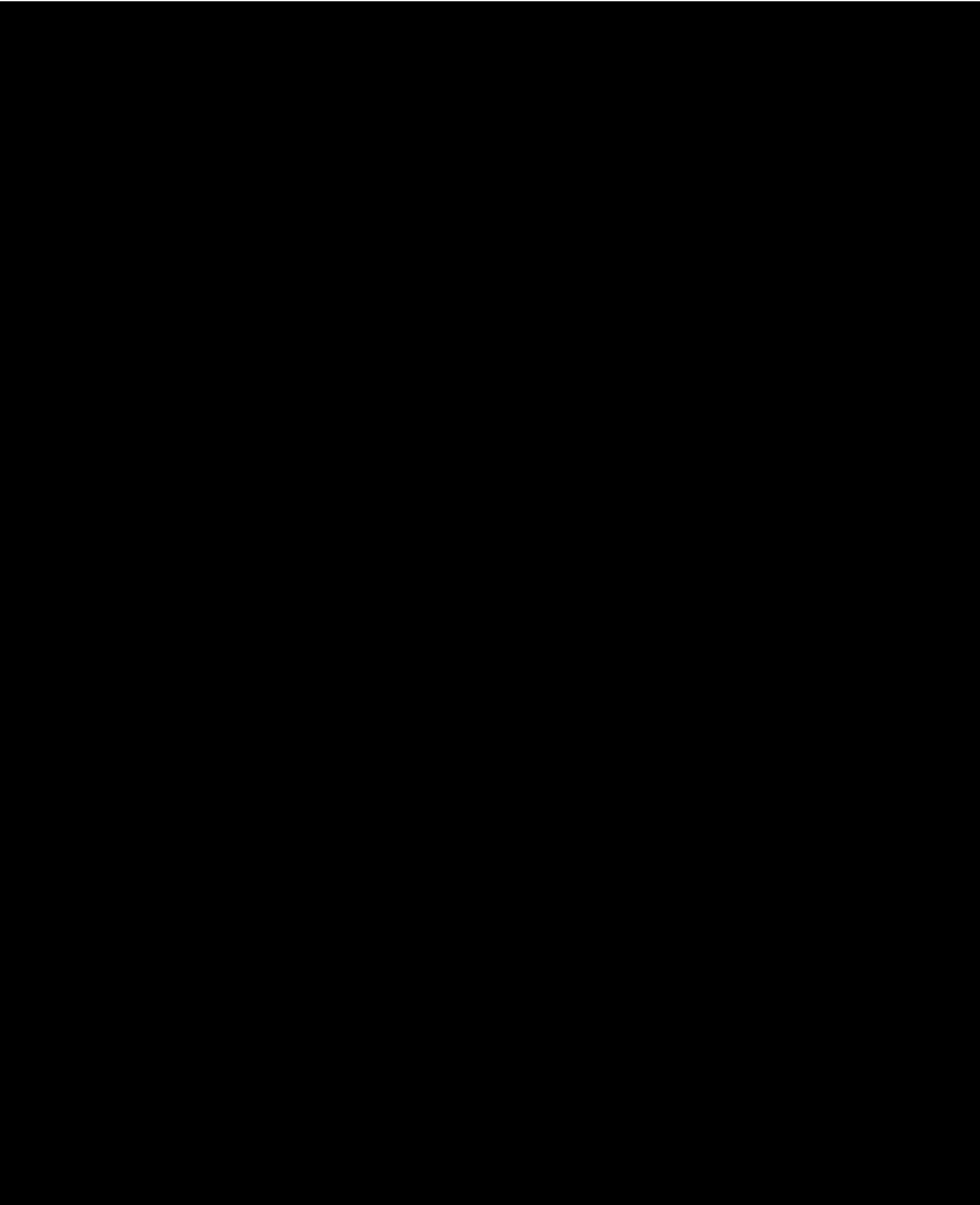
N/a

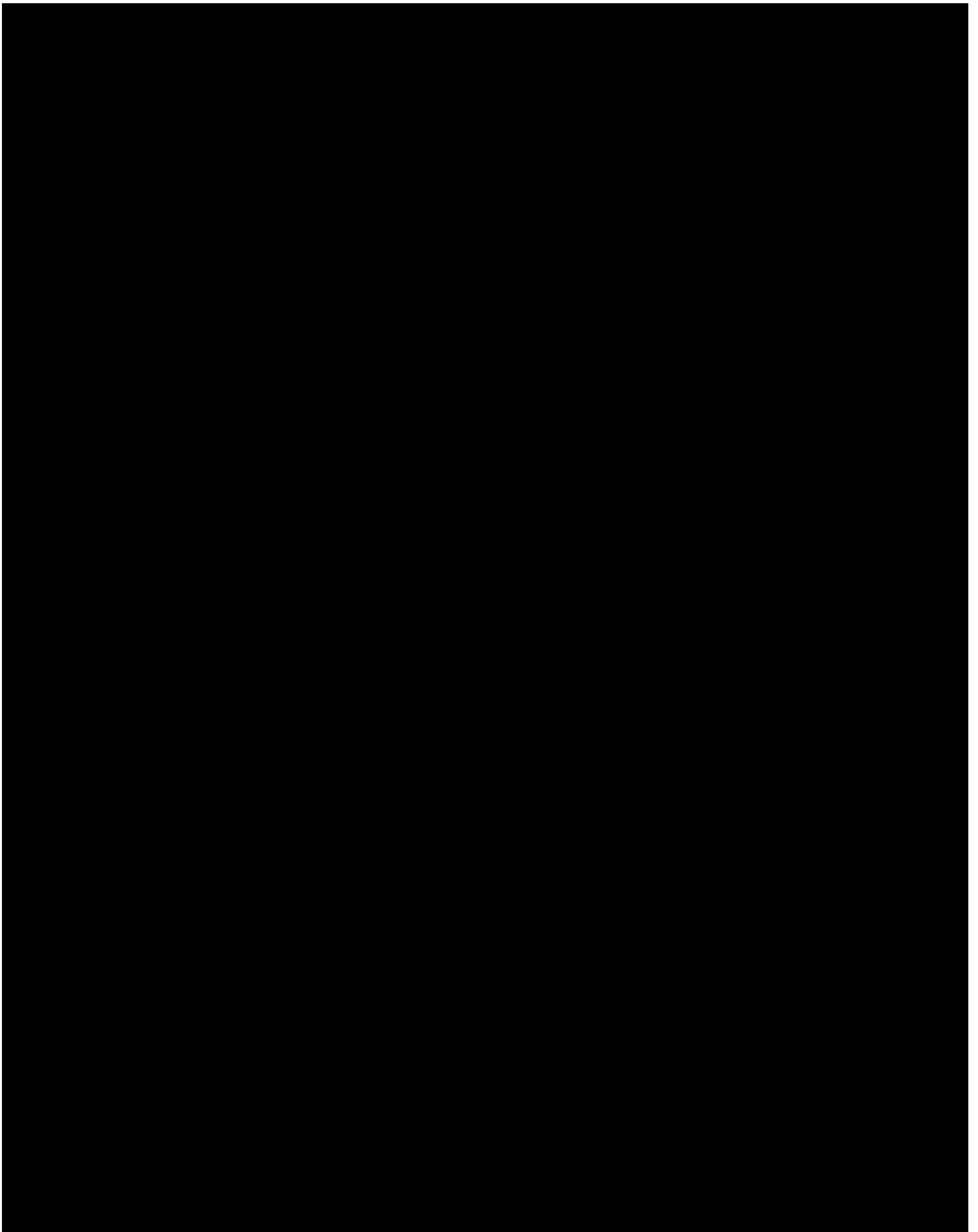
#### Apportionment

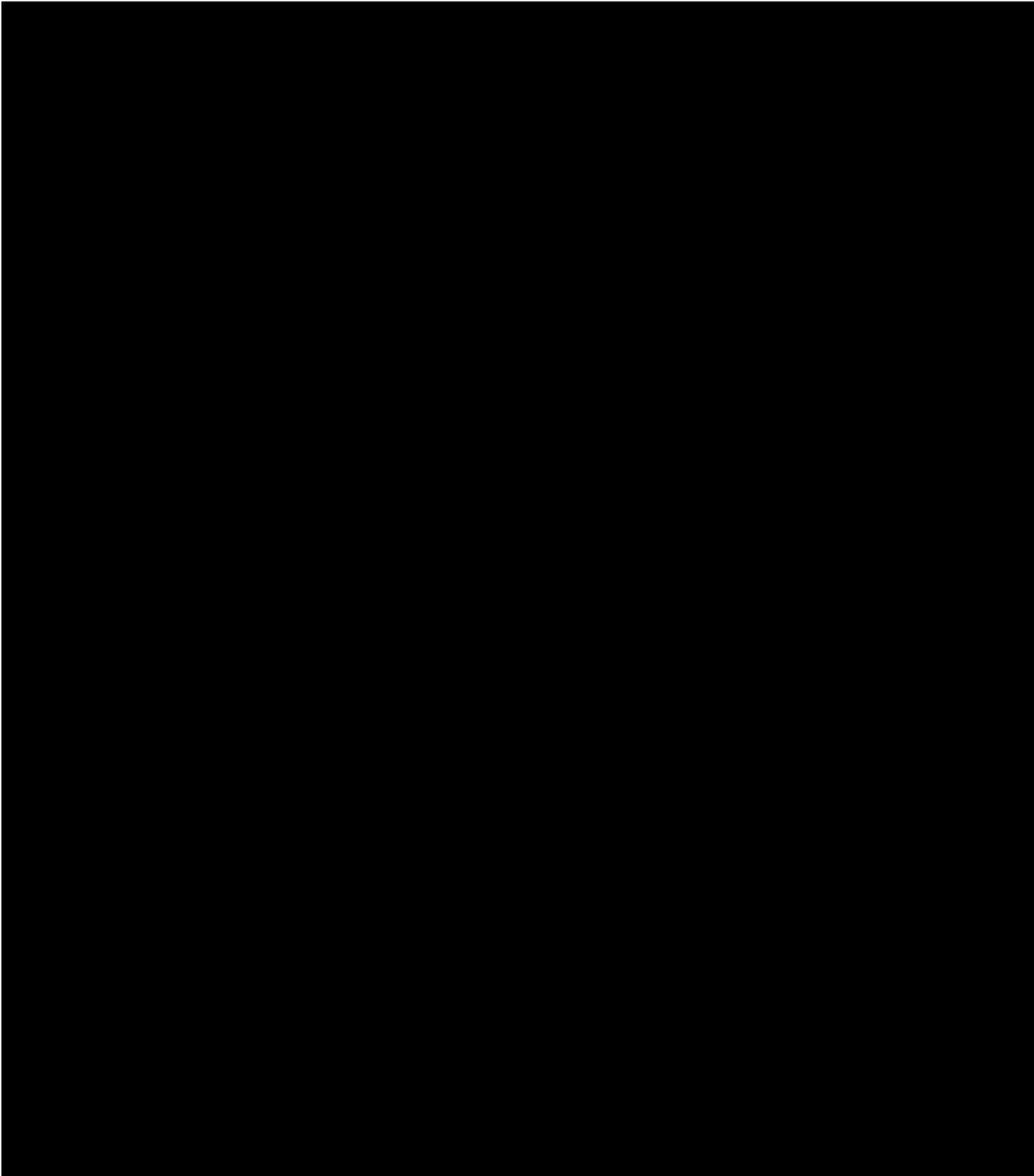
Each policy has been forecast in the most appropriate category therefore no additional apportionment assumptions have been made.











## Section 6 - Capex

### 6.1 Capex Summary

#### Commentary

##### Assumptions

As insufficient rows were provided for Climate Change Adaptation projects within Table 6.2, projects with this driver are included within Net Zero cost category rows. Similarly these Climate Change Adaptation projects flow through the Net Zero rows in Table 6.1 Capex Summary. They are distinguishable by a "CCA" label within the project name.

For RIIO-T1 and RIIO-T2, the following assumptions apply:

- Load Related and project data is reported at a summarised level against each 'Cost Cat'.
- Projects reported in RIIO-T1 under 'Network Flexibility' which no longer exists as a category in RIIO-GT3 have been included under 'Network Capability'.

RIIO-GT3 spend is included under the 'Uncertainty Mechanism' cost type where this spend is part of an uncertainty mechanism that will be submitted as part of RIIO-T2 with spend continuing into RIIO-GT3. The RIIO-GT3 element of this spend is also included in Table 11.7 Cross Period Projects.

Capex in RIIO-T2 and RIIO-T1 is classified between baseline and uncertainty mechanism where underlying tables allow. However, Tables 6.3b Asset Health and [REDACTED]

Uncertainty mechanisms for RIIO-GT3 are included in Table 11.6 UMs. The uncertainty mechanism expenditure for these activities is not included in Table 6.1 or any of the supporting input tables from 6.2 to 6.8 in line with the instructions given in the BPDT Guidance Table 11.6 Instructions for Completion which state "Costs included in this table [11.6] as a re-opener should be excluded from the associated cost table".

##### RIIO-3 Profile and comparison to historic data

Table 6.1 Capex summary is primarily a consolidation of Tables 6.2 Projects, 6.3b Asset Health, [REDACTED], [REDACTED], 6.7 TO Non-op capex and 6.8 SO Non-op Capex.

The RIIO-GT3 cost profile of each of these areas is discussed in the commentary accompanying the individual tables.

##### Justification for outliers

With the exception of load-related capex and RIIO-T1 and RIIO-T2 customer contributions and RIIO-T1 projects, Table 6.1 is a consolidation table with data linked directly from other input tables. Discussion of outliers is therefore included in the commentary associated with the relevant individual input table.

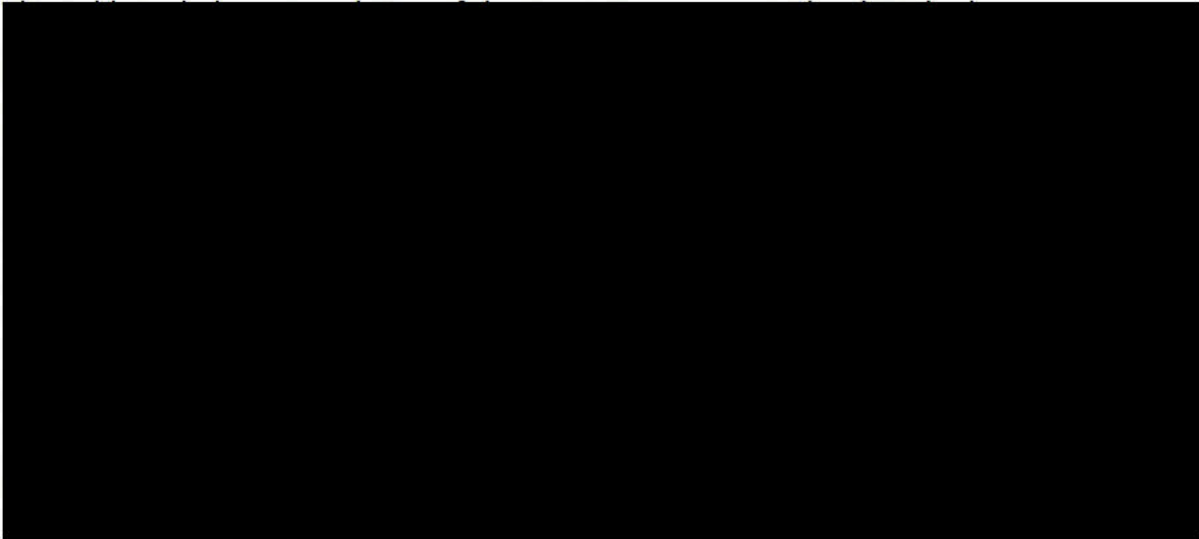
##### Forecast sensitivity

Forecast sensitivities are included in the commentary associated with the relevant individual input table.

##### Interactions with governmental policy

Interactions with government policy are included in the commentary associated with the relevant individual input table.

### Benchmarking activities



### BPDT references

Table 6.1 Capex summary sources data from the inputs in Tables 6.2 Projects, 6.3b Asset Health, 6.5 Redundant Assets, 6.6 PSUP capex, 6.7 TO Non-op capex and 6.8 SO Non-op Capex.

### Apportionment

For IT projects, each investment line is assigned a percentage allocating the amount between TO and SO. In some instances, an investment line will be attributable solely to either TO or SO. The investments have been extensively reviewed and analysed by the business owner to assess the allocation.

## 6.2 Projects

### Commentary

#### Assumptions

RIIO-T1 projects are reported as a single line against each combination of Cost Cat and Cost Type e.g. Compressor Emissions and Baseline.

For other non-load, as options only exist for inputs against [REDACTED] and [REDACTED] Subsidence, all RIIO-T1 values are included against [REDACTED]. Not all projects relate to [REDACTED] but this allows NGT to enter other non-load as a single line item.

As per RIIO-T1, RIIO-T2 projects are also reported as a single line against each combination of Cost Cat and Cost Type e.g. Compressor Emissions and Baseline.

Projects funded in RIIO-T2 to be completed in RIIO-GT3 are included in the table by project and categorised as an uncertainty mechanism.

For RIIO-GT3, we have included costs in this table for projects that have a cost driver other than asset health or redundant assets (as these are included elsewhere in the BPDT), including investments to improve network capability, to improve maintainability, to address climate change adaptation and improve security of supply (resilience).

RIIO-GT3 delivery spend for 2024/25 and 2025/26 is included under 2026/27 to avoid confusion with RIIO-2 spend.

As there is no project for RIIO-GT3 using the commitment driver Net Zero this has been changed to Climate Change Adaptation to facilitate the six projects with that commitment driver. This is a change to white cells within the table as there is no appropriate section for the climate change adaptation projects

RIIO-GT3 uncertainty mechanisms are included in Table 11.6 UMs. The uncertainty mechanism expenditure for this activity is not included in Table 6.2 in line with the instructions given in the BPDT Guidance Table 11.6 UMs Instructions for Completion which state "Costs included in this table [11.6] as a re-opener should be excluded from the associated cost table".

#### RIIO-3 Profile and comparison to historic data

Table 6.2 shows the cost of projects in RIIO-GT3 to be £559m with £418m in RIIO-T2. Of this £559m, £430m relates to projects to be funded under RIIO-T2 uncertainty mechanisms.

Projects costs funded under RIIO-GT3 mechanisms decrease by £198m from £327m in RIIO-T2 to £129m in RIIO-GT3.

The most significant reason for this decrease is the difference in emissions compliance work being proposed for RIIO-GT3. In RIIO-T2 we addressed the most critical units non-compliant with emissions legislation through RIIO-T2 uncertainty mechanisms which mostly resulted in a recommendation for new units. For RIIO-GT3, we are not proposing any new units and instead are focusing on making the most of the units we have through re-wheels, asset health and site reconfigurations which are typically lower cost solutions.

#### Justification for outliers

There are no significant outliers in RIIO-GT3 compared to RIIO-T2 other than the difference in the work mix noted in the previous section.

Forecast sensitivity

Most of the proposed investments are not sensitive to forecast supply and demand. Where there is uncertainty, such as site reconfigurations, we are recommending appropriate funding mechanisms to protect consumers.

Interactions with governmental policy

Some of the project investments continue to be driven by emissions legislation, Medium Combustion Plant Directive (MCPD), however the primary outcome of the recommended investments is broader improved resilience and network capability.

Climate change adaptation is a new area for investment which is becoming of greater focus but is not yet mandated by any legislation or governmental policy.

[REDACTED]

BPDT references

Table 6.2 inputs flow through to Table 6.1 Capex Summary.

Apportionment

Costs are apportioned across the different cost breakdown categories using a simple ratio derived from delivery of our RIIO-T2 plan. These ratios have been tailored to different themes of work.



## 6.3 a Asset Health Interventions

### Commentary

#### Assumptions

Table 6.3a shows a breakdown of RIIO-GT3 spend by equipment units. Equipment units are an update to the asset hierarchy to ensure data is aligned to ISO 14224. RIIO-T1 and RIIO-T2 data is not reported at equipment unit level but at Secondary Asset Class (SACs) level. As such there is no direct translation back to RIIO-GT3 equipment units. A move from SACs to equipment units has been made to strengthen asset management capabilities and improve reporting to Ofgem, in particular the level at which Unit costs are captured. [REDACTED]

The table shows an overall summary of proposed volume and spend by asset type. This is the taxonomy to be used going forwards and will act as the first comparable year for future price control periods.

Uncertainty mechanisms are included in Table 11.6 UMs. The uncertainty mechanism expenditure for these activities is not included in Table 6.3a in line with the instructions given in the BPDT Guidance Table 11.6 Instructions for Completion which state "Costs included in this table [11.6] as a re-opener should be excluded from the associated cost table".

Forecast data is included for 2024/25 and 2025/26 baseline spend and excludes uncertainty mechanism spend where forecast data is not available at this level of granularity.

#### RIIO-3 Profile and comparison to historic data

The cost of asset health interventions has seen an increase of £507m from £636m in RIIO-T2 to £1,143m in RIIO-GT3.

This increase (detailed further in the NGT\_A01\_Asset\_Management\_Plan\_(AMP)\_RIIO\_GT3) is driven by mitigating risk due to age of assets, rectification of known defects and remediation following condition surveys as we focus on better utilising our current network of assets.

The data in Table 6.3a shows Asset Health projects in a new taxonomy which has not historically been used in previous price control periods, therefore comparison to RIIO-T2 is not applicable to this table.

Further detail on movements from RIIO-T2 in the previous taxonomy is included in the commentary for Table 6.3b.

#### Justification for outliers

An outlier is the cost for investment in valves at St Fergus. The NGT\_EJP29 [REDACTED] - Valves\_and\_Actuators\_RIIO-GT3 EJP details the reasons which include the majority of valves being buried with access being more complex than at most other sites. The second highest value is Pipeline Cathodic Protection, however this is actually lower than our RIIO-T2 spend and is a continuation of the same methodology.

#### Forecast sensitivity

Our asset health proposals are not dependent upon forecast flows on the network. The transition to Hydrogen and/or CCUS could alter proposals for some assets but where uncertainty is significant, the appropriate funding mechanisms have been utilised. The asset health investments are primarily driven by legislation, policy and asset condition (current or as modelled via NARMs).

Interactions with governmental policy

The majority of our asset health work is driven by a variety of legislation and policies, particularly Pipeline Safety Regulations (PSR), Pressure Systems Safety Regulations (PSSR), Gas Safety (Management) Regulations (GS(M)R) and Control of Major Accident Hazards Regulations (COMAH). The largest area of spend is focused on compliance with Network and Information Systems (NIS) Regulations. None of these legislations are new for RIIIO-GT3.

[Redacted text block]

BPDT references

[Redacted text block]

Apportionment

N/a

### 6.3 b Asset Health (2)

#### Commentary

##### Assumptions

As reported in the narrative for RRP24, output volumes are claimed once commissioned and available for use. However, costs are reported in the year incurred. [REDACTED]

UID categorisation was not in place for RIIO-T1 and was first introduced in RIIO-T2. Therefore, the RIIO-T1 data, as sourced from the RRP21 submission, is reported at SAC level with the exception of uncertainty mechanism spend, this being the level of granularity in place at the time. This is consistent with the approach adopted in the RIIO-T2 BPDT submission.

Where SACs from RIIO-T1 are not included in the BPDT, these are included within the free text lines provided.

RIIO-T1 was not reported at a Sub Cat 1 level. Therefore, where a SAC appears against multiple Sub Cat 1 categories it is reported against a single row for RIIO-T1. This affects 15 - Cathodic Protection which is reported against Plant & Equipment and 09 - Civil Assets (Buildings/Enclosures) which is reported against Civils.

RIIO-T1 uncertainty mechanism spend was not reported at a SAC level. This is reported against '25-RIVER CROSSINGS' as the closest equivalent SAC but this is not a fully accurate SAC classification.

RIIO-T2 data is sourced from the RRP24 submission. The RIIO-T2 RRP process requires reporting at UID level for actual data only. Forecast data, in this case the final two years of the RIIO-T2 period, is required at a Sub Cost Category 1 level (for example CABs, Civils), that is, at a lower level of detail than the actual data.

RIIO-GT3 data is provided at UID level. Although the asset health taxonomy will change from SACs to Equipment Units, the RIIO-GT3 asset health data is allocated across UIDs to assist Ofgem with comparability to previous price controls.

Where the alignment of new UIDs does not match with UIDs provided for RIIO-T2, a new UID is provided and allocated to an appropriate SAC.

Where work for RIIO-GT3 is proposed to be undertaken on SACs that did not appear in RIIO-T2, these are grouped and included in the free text at the bottom of the table.

Where new UIDs appear against SACs it is assumed that the sub category for RIIO-T2 would have been that of the matching SAC.

[REDACTED]

[REDACTED] uncertainty mechanism expenditure for these activities is not included in Table 6.3b in line with the instructions given in the BPDT Guidance Table 11.6 Instructions for Completion which state "Costs included in this table [11.6] as a re-opener should be excluded from the associated cost table".

RIIO-GT3 spend where the investments are proposed to flex with a volume driver are included in this table and identified with VOLUME DRIVER in Sub Cat 2.

For RIIO-T1 and RIIO-T2, uncertainty mechanism spend is included in the Misc baseline inputs and identified as relating to uncertainty mechanisms in the Sub Cat 1 and Description inputs.

As permitted under the Business Plan Data Table Guidance, more rows added where required and formulae realigned.

RIIO-3 Profile and comparison to historic data

The cost of Asset Health has seen an increase from £636m in RIIO-T2 to £1,143m in RIIO-GT3.

Table 6.3b.1 provides a summary of the Asset Health spend movements between RIIO-T2 and our RIIO-GT3 plan. Mapping of RIIO-GT3 interventions to RIIO-T2 UIDs is undertaken using internal mapping documents (Glance). This is then mapped to RIIO-T2 themes. Where new interventions occur, mapping is undertaken manually. St Fergus investments are mapped to RIIO-T2 themes to ensure that mapping is consistent with RIIO-T2.

RIIO-2 Theme	RIIO-2 costs £m	RIIO-3 costs £m	Variance	% Movement	Comments
Compressor	75	105	30	40%	-
Valves	71	173	102	144%	Increase in valves spend, driven by known defects raised for rectification.
Pipeline	141	227	86	61%	Increase in Nitrogen sleeve remediation (3x) driven by condition information.
Plant and Equipment	111	202	91	82%	RIIO-GT3 spend is additional investment at St Fergus
Civils	46	134	88	191%	£35m at St Fergus, £99m NTS wide - increase in building refurbishment planned to mitigate risk increase.
Electrical	28	90	62	221%	Increase in investment to address significant asset age risk, obsolescence and supportability issue. Investment has been identified from RIIO-T2 surveys that cannot be delivered due to allowance constraints. Investment also proposed at St Fergus.

Cabs	21	83	62	295%	Further investment in Air Intakes and Cab ventilation driving increase in spend.
Misc	143	129	(14)	(10)%	Not comparable across price control periods as this category has been used to include spend not captured elsewhere. For RIIO-T2 this captures spend under Asset Health Uncertainty Mechanisms, for RIIO-GT3 it captures spend against SACs not in the original table, as detailed in the assumptions section above.

**Table 6.3b.1** : Summary of asset health movements from RIIO-T2 to RIIO-GT3

Justification for outliers

[Redacted]

Forecast sensitivity

Our asset health proposals are not dependent upon forecast flows on the network. The transition to Hydrogen and/or CCUS could alter proposals for some assets but where uncertainty is significant, the appropriate funding mechanisms have been utilised. These investments are primarily driven by legislation, policy and asset condition (current or as modelled via NARMS).

Interactions with governmental policy

The majority of our asset health work is driven by a variety of legislation and policies, particularly Pipeline Safety Regulations (PSR), Pressure Systems Safety Regulations (PSSR), Gas Safety (Management) Regulations (GS(M)R) and Control of Major Accident Hazards Regulations (COMAH). The largest area of spend is focused on compliance with Network and Information Systems (NIS) Regulations. None of these legislations are new for RIIO-GT3.

[Redacted]

BPDT references

Table 6.3b inputs flow through to Table 6.1 Capex Summary.

[Redacted text]

Apportionment

N/a











[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



[REDACTED]

## 6.7 TO Non-operational capex

### Commentary

#### Assumptions

RIIO-T1 inputs are sourced from the RRP21 submission. Whilst the Sub Cat1 categories in RIIO-T1 were not identical to those in current use, there is a close alignment. Therefore, categories have been mapped as follows:

RIIO-T1 category	RIIO-GT3 BPDT Sub Cat 1
██████████	██████████
Vehicles	Vehicles
Land and Buildings	Non Operational Property
Fixtures and Fittings	Non Operational Property
Plant and Machinery	STEPM

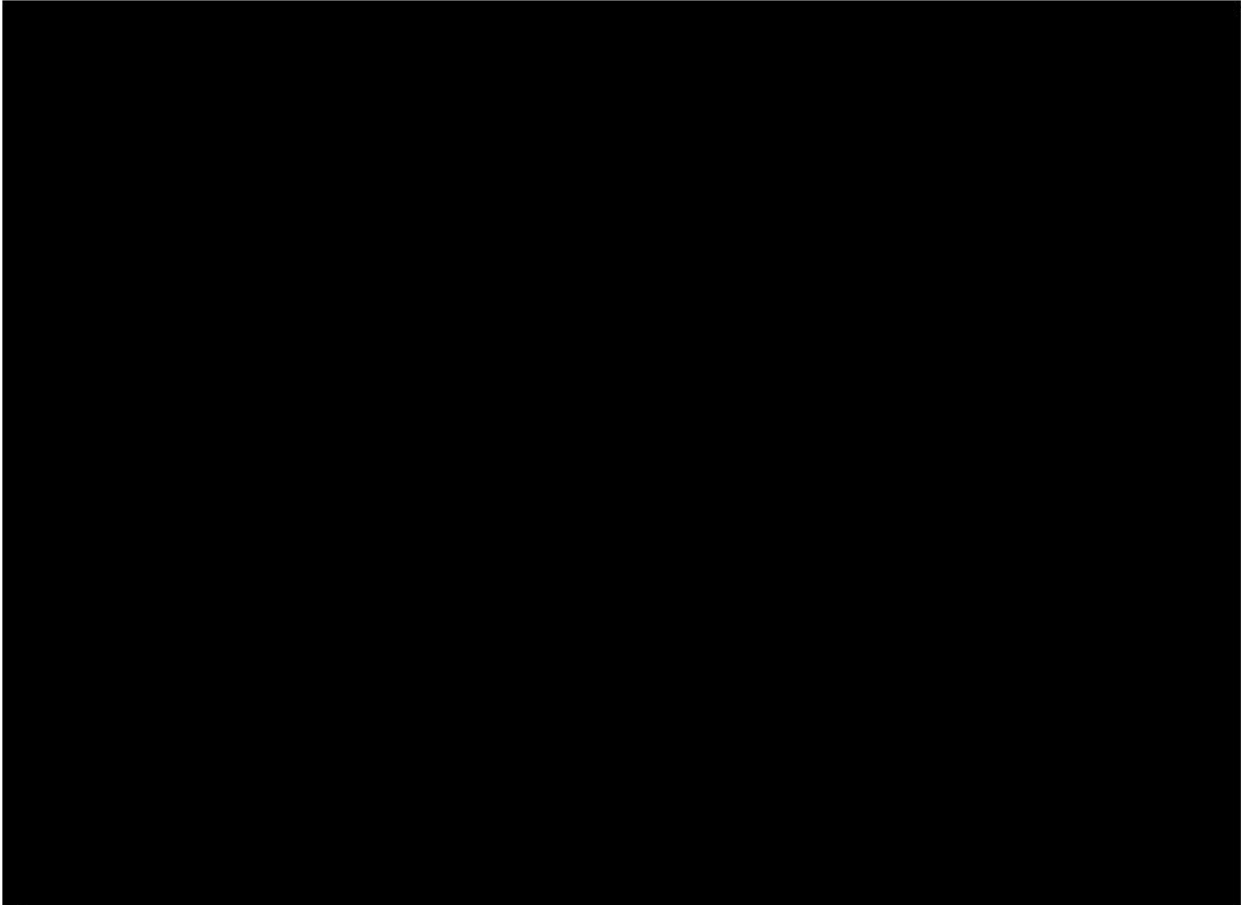
It is recognised that certain spend previously classified as ██████████ would now fall under the definitions of ██████████. However, due to the difficulty of retrospectively reclassifying costs and the fact that ██████████ are expected only from RIIO-T2, this element of costs remains included in ██████████

RIIO-T2 data is populated from the RRP24 submission. For 2024/25 and 2025/26 where RRP is not forecast at a ██████████, ██████████ based on underlying internal forecast data and remaining non-operational spend split based on 2-year weighted average between the remaining categories (vehicles, non-operational property and STEPМ).

Re-openers for ██████████ and relocation from Warwick House (NGT's current headquarters held under lease from National Grid) are included in Table 11.6 UMs. Options for the relocation driven by the current lease term, are being assessed and will be refined by the December submission. The Uncertainty Mechanism expenditure for this activity is not included in Table 6.7 in line with the instructions given in the BPDT Guidance Table 11.6 Instructions for Completion which state "Costs included in this table [11.6] as a re-opener should be excluded from the associated cost table".

#### RIIO-3 Profile and comparison to historic data

TO non-operational capex costs increase from £130m in RIIO-T2 to £300m in RIIO-GT3.



[Redacted text block]

The increased costs reflect the changes in drivers for security of supply and ageing asset replacement. Separation from National Grid has led to a number of systems requiring upgrades and enhancements, with the majority of projects commencing at the beginning of RIIO-GT3.

We also need to right size our systems for a stand-alone business, an example being our back-office systems which will replace a large, complex system with a solution which reflects our needs at a cost of £45m across RIIO-GT3.

A second area of focus is to enable the capabilities required to deliver the RIIO-GT3 plan, using technology for smarter tools, handling larger volumes of data and improving productivity. Innovative technologies such as drone-based review of asset conditions allow for smarter decisions through better visibility and reduced need for regular site visits. Analytical and decision-making support such as data orchestration, modelling, simulation and digital twins optimise network outages and maintenance work.

All IT Investments in our business plan are aligned to our Digitalisation Strategy published in March 2024, of which 67% (RIIO-T2: 83%) relate to asset health and compliance work for assets which are approaching the end of their supported life,

ensuring we operate secure and compliant systems in line with evolving legislation and industry codes.

Costs associated with non-operational properties include expenditure incurred under a planned schedule of work and projects required to maintain the resilience of the Emergency Control Room. The timing and nature of safety and productivity driven investments and planned schedule of works are dictated by the results of condition surveys being undertaken throughout RIIO-T2.

The increase in property costs arises from the identified need for 3 new training centres to address skills shortages and increase resilience through improved capabilities:

- Logistics and operations training centre (██████)
- Rotating machinery training centre (██████)
- Welding centre of excellence (██████)

Approximately £12m of our RIIO-GT3 vehicle spend is attributed replacements with the remaining £3m for new vehicles aligned to FTE growth in our operational function workforce. Timing of replacement of our existing fleet is dictated by vehicle age. Our RIIO-GT3 policy is to replace vehicles every 5 years, consistent with our RIIO-T2 policy. Replacements in RIIO-T2 were delayed due to long-lead times impacted by COVID19 such that the average age of our fleet in 2024 is 4.7 years. In order to realign with our policy, spend is weighted to the early years of RIIO-GT3.

The RIIO-GT3 cost profile increases in line with the onboarding of additional staff in our operations function coinciding with the planned rise in operational workload. From 2023/24, our business plan shows a 57% increase in our operations function FTEs in 2030/31 to deliver the increased maintenance and repair required on the NTS and a 33% increase in fleet size. Once the initial expansion of the fleet is in place, costs are maintained at fleet replacement levels.

STEPM costs can be disaggregated into activities performed as business-as-usual (BAU) activities and one-off projects. (Table 6.7.2).

£m base	23/24 price	FY27	FY28	FY29	FY30	FY31	GT3 Total
Business as Usual		6	7	7	7	7	34
Surveillance Strategy		2	2	1	0	0	5
Double Block / Bleed Solution		3	3	3	0	0	9

**Table 6.7.2** : Allocation of STEPM spend across BAU and one-off projects

The BAU cost profile is directly related to both the FTEs and capex delivery with the increase technicians and engineers impacts the level of tooling required as each field operational employee needs the necessary tools and equipment to undertake their jobs to high standards. Higher workload across network maintenance and capital delivery leads to higher usage of tooling and equipment and accelerates wear and tear, impacting speed of replacement profiles.

Key projects around the surveillance strategy and development of a double block / bleed flow stopping solution are included in STEPM resulting in the increase of £14m between price controls.

Justification for outliers

Costs in the first two years of RIIO-GT3 average £85m compared with £44m average in the latter 3 years of RIIO-GT3 and £26m across the full RIIO-T2 period.



The profile reflects IT costs driven by security of supply needs and ageing asset replacement. Separation from National Grid has led to a number of systems requiring upgrades and enhancements, with the majority of projects commencing at the beginning of RIIO-GT3. Programme testing and implementation costs are incurred during the initial stages of the project and resources required are higher for an average of 18 to 24 months post project commencement resulting in a reduction in cost profile from 2028/29.

We are also commencing investment in three new training centres at the start of RIIO-GT3; Logistics and operations training centre Rotating machinery training centre and a welding centre of excellence.

Our policy is to replace vehicles every 5 years. Replacements in RIIO-T2 were delayed due to long-lead times impacted by COVID19 such that the average age of our fleet in 2024 is 4.7 years. In order to realign with our policy, spend is weighted to the early years of RIIO-GT3.

#### Forecast sensitivity

The non-op capex regulatory cost category is based on an itemised bottom up build and we do not consider it subject to significant sensitivities.

#### Interactions with governmental policy

N/a

#### Benchmarking activities

NGT engaged an external consultant (████████ NGT\_C01\_████████ Review\_of\_IT\_Costs\_and\_Benchmarking\_of\_comparable\_costs) to benchmark the IT Project costings proposed for RIIO-GT3. ██████████ has investigated scope, reviewed cost assumptions, and have provided benchmarking guidance. All, except for 6 projects, fell within the benchmarking range and are assessed as high cost confidence within our internal Scope Volume and Cost standard (SVC) parameters. Each of the deviations has clear justification based on evidence such as supplier quotes or similar recent project cost profiles and score medium under our SVC assessment.

Costs associated with the scheduled planned works on our non-operational properties are based on a combination of historic outturn, where similar spend is already being incurred in RIIO-T2 and condition surveys to substantiate any further requirements. Costs are benchmarked by external consultants but will be tendered for when the work is required to ensure the best possible price is secured.

Costs associated with vehicles and STEPM are based on historic run rate.

An external tender process is used to determine preferred vehicle suppliers who meet our strategic requirements. Our RIIO-GT3 plan is based on most recent data from 2023/24 which includes any diseconomies of scale post separation from National Grid.

Labour costs within the forecasts relate to capitalised FTEs. We regularly benchmark our salary costs using leading benchmarking providers, whereby we compare salary costs by role to the market reference point.

#### BPDT references

Table 6.7 inputs are summarised in Table 3.1 TO Totex Summary.

#### Apportionment

For IT projects, each investment line is assigned a percentage allocating the amount between TO and SO. In some instances an investment line will be attributable solely to

either TO or SO. The investments have been extensively reviewed and analysed by the business owner to assess the allocation. The TO allocation percentage is then applied to the IT investments to derive the values included in Table 6.7.

## 6.8 SO Non-operational capex

### Commentary

#### Assumptions

RIIO-T1 inputs are sourced from the RRP21 submission. However, RIIO-T1 costs were not split out into the same Sub Cat options of IT & Telecoms and Non-operational property in RIIO-T1 reporting. Where items in RIIO-T1 can be identified and classified as Non-operational property this has been done.

It is recognised that some spend classified as IT Expenditure would now fall under the definitions of Cyber however due to the difficulty of retrospectively classifying costs and the fact that Cyber inputs are expected only from RIIO-T2 this has been included in IT & Telecoms.

RIIO-T2 inputs are sourced from the RRP24 submission.

A re-opener is included in Table 11.6 UMs for relocation from Warwick House (NGT's current headquarters held under lease from National Grid). Options for the relocation, driven by the current lease term, are being assessed and will be refined by the December submission. The Uncertainty Mechanism expenditure for this activity is not included in Table 6.8 in line with the instructions given in the BPDT Guidance Table 11.6 Instructions for Completion which state "Costs included in this table [11.6] as a re-opener should be excluded from the associated cost table".

#### RIIO-3 Profile and comparison to historic data

SO non-operational capex costs increase from £133m in RIIO-T2 to £208m in RIIO-GT3. Of the £48m increase, £45m is attributable to IT and Telecoms costs and £3m attributable to Non-operational property.

IT SO Non-Op Capex costs in RIIO-GT3 total £204m and consists of the SO element of 47 shared TO and SO investments. The increase in IT and Telecoms is primarily as a result of the digitalisation initiatives and to support the Asset Management Plan. NGT is adopting new digital capabilities with upgrades and software products. NGT is creating a new digital customer support centre with smart apps, paving the way to share more data with consumers, ensuring we are prepared with future energy scenarios and unexpected events such as a pandemic.

#### Justification for outliers

Costs in the first two years of RIIO-GT3 average £50m compared with £36m average in the latter 3 years of RIIO-GT3 and £32m average across the full RIIO-T2 period.

The profile reflects IT costs driven by security of supply needs and ageing asset replacement. Separation from National Grid has led to a number of systems requiring upgrades and enhancements, with the majority of projects commencing at the beginning of RIIO-GT3. Programme testing and implementation costs are incurred during the initial stages of the project and resources required are higher for an average of 18 to 24 months post project commencement resulting in a reduction in cost profile from 2028/29.

#### Forecast sensitivity

IT costs are based on a project by project assessment and so is not subject to significant sensitivities.

Interactions with governmental policy

N/a

[REDACTED]

BPDT references

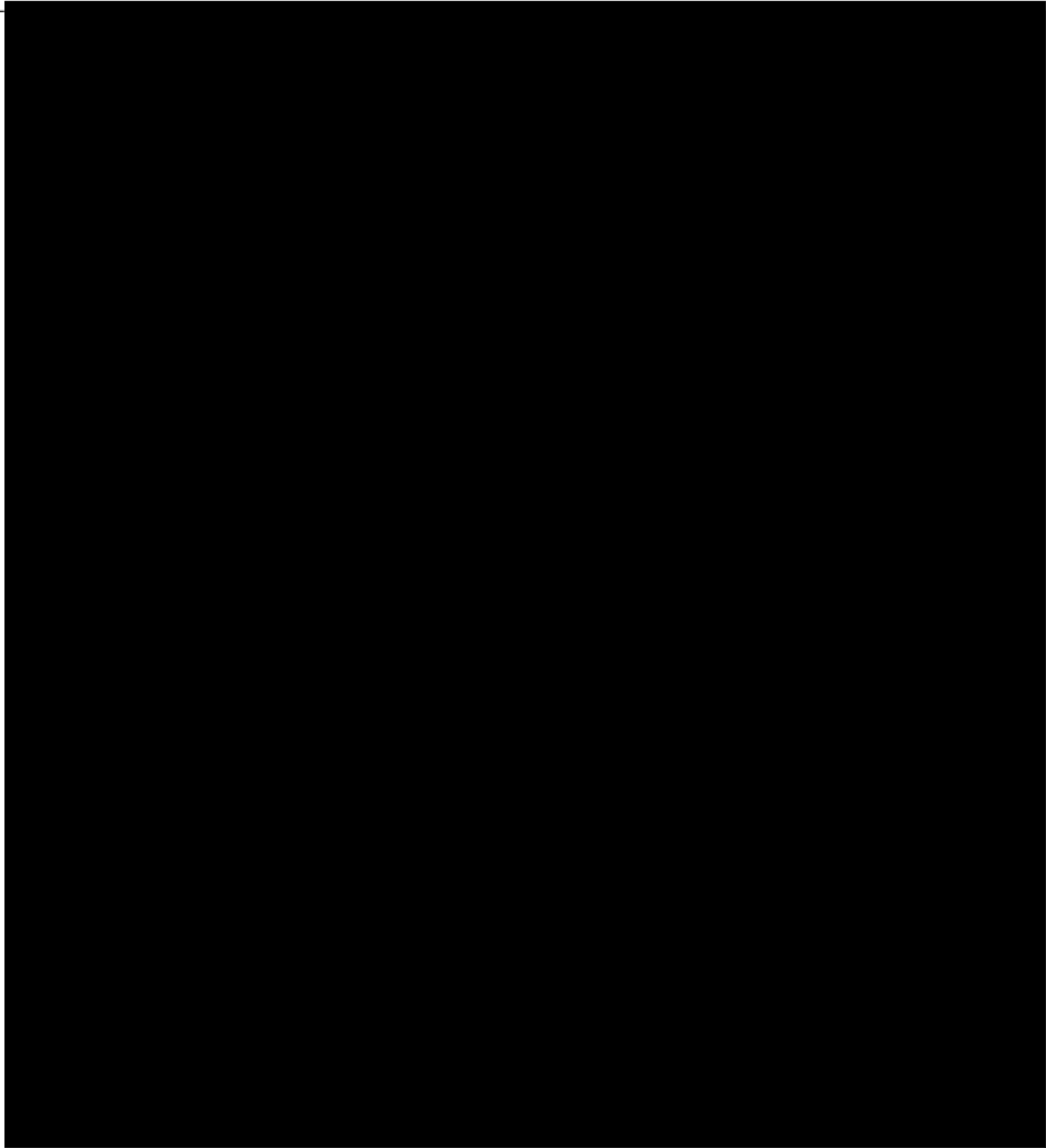
Table 6.8 inputs are summarised in Table 3.2 SO Totex Summary.

Apportionment

For IT projects each investment line is assigned a percentage allocating the amount between TO and SO. In some instances, an investment line will be attributable solely to either TO or SO. The investments have been extensively reviewed and analysed by the business owner to assess the allocation. The SO allocation percentage is then applied to the IT investments to derive the values included in Table 6.8.







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[Redacted line of text]







[REDACTED]

## Section 7 – Network Data

### 7.1 Pipeline Data

#### **Commentary**

##### Assumptions

Input data is sourced from the RRP24 submission. Inputs mainly comprise actual data as forecast data cannot be predicted for defects. Surveys are required before defects can be detected and classified; they are not something that can be predicted.

Data is forecast for RIIO-GT3 for ILI Runs Planned based on the deliverable plan. ILI runs are carried out at defined time intervals determined by Intervals 2, an industry approved risk-based scheduling method ratified by HSE as “accepted practice”. The tool has been designed to determine the interval between each in-line inspection based on an estimate of corrosion growth rates, pipeline wall thickness, and stress level in the pipe wall. To do this Intervals 2 uses pipeline and operational data in conjunction with current and historical Cathodic Protection inspection and test results to establish a rate of degradation and therefore predict when the next inspection is due. This leads to a dynamic interval between each in-line inspection.

To increase the accuracy of the frequency of each ILI run, and subsequently the volume of ILIs across the 5 years, we have modified the age of the asset and resistance to corrosion of our pipeline assets on Intervals 2 to evaluate the impacts that would have on the ILI frequencies generated. This informs a probable view of ILI schedule to be generated at the start of RIIO-GT3.

##### RIIO-3 Profile and comparison to historic data

Analysis of RIIO-GT3 data and comparison to historic data is not relevant as the number of ILI runs required is adjusted based on risk posed to the individual pipeline sections.

##### Justification for outliers

N/a

##### Forecast sensitivity

The forecast data is not considered to have any significant sensitivity because the planning tool methodology has been approved by HSE for managing the risk. There will be changes year on year as it is refreshed based on pipeline condition data but it is not considered that these will contribute to any material changes.

##### Interactions with governmental policy

Pressure System Safety Regulations and Pipeline Safety Regulations dictate that an operator will have an appropriate maintenance and inspection regime.

##### Benchmarking activities

N/a

##### BPDT references

N/a

Apportionment

N/a

## 7.2 Activity Indicators

### Commentary

#### Assumptions

Actual data for RIIO-T2 is sourced from the RRP24 submission.

Industrials and Power stations are split between the [REDACTED] s by the distribution from 2023/24. Storage has been forecast by taking the average of 2022/23 and 2023/24.

The methodology used where operational data does not align to regulatory categorisation is as follows:

- The data source is the Gas Ten Year Statement (GTYS) 2023.
- System entry point forecast values are sourced from the annual supply by terminal, ensuring unit conversion from TWh to GWh.
- [REDACTED] annual demand for forecast, [REDACTED] IUK and storage from annual and peak load band.
- [REDACTED] and [REDACTED] added, For the RIIO-T1 period (2013/14 to 2020/21 inclusive) data has been sourced from the RRP submission for each relevant year and made constant for RIIO-T2 and RIIO-GT3 years.

All data is based on the Falling Short Future Energy Scenario (FES).

#### RIIO-3 Profile and comparison to historic data

Comparison between RIIO-T2 and RIIO-GT3 is not appropriate given that the RIIO-T2 profile is not complete and RIIO-GT3 is yet to happen. The forecast values for 2024/25, 2025/26 and RIIO-GT3 are taken directly from the Falling Short FES scenario in the GTYS 2023 provided by the [REDACTED]. The variances across the forecast values are due to the assumed allocation of [REDACTED] which increases flows across [REDACTED] and leads to a decrease to flows at [REDACTED].

#### Justification for outliers

N/a

#### Forecast sensitivity

N/a

#### Interactions with governmental policy

N/a

#### Benchmarking activities

N/a

#### BPDT references

N/a

#### Apportionment

N/a

### 7.3 Peak Input Demand

#### **Commentary**

##### Assumptions

For the RIIO-T1 period (2013/14 to 2020/21, inclusive) data is sourced from the RRP submission for each relevant year.

For RIIO-T2 years 2021/22 to 2023/24 inclusive, data is sourced from the 7.3 Peak demand table in the RRP24 submission.

For forecast years 2024/25 to 2028/29, data is sourced from Table 7.9 forecast scenarios in the RRP24 submission.

##### RIIO-3 Profile and comparison to historic data

The demand profile for RIIO-GT3 at a total level is relatively aligned to the RIIO-T2 profile. At the ASEP/storage site level there is a slight change in mix between RIIO-T2 and RIIO-GT3 with different ASEP/storage sites being responsible for more/ less demand. This is in line with the forecast submitted in RRP24. The forecast years for 2029/30 and 2030/31 are not submitted in the RRP24 submission; these forecast years are in line with the outer years submitted in the RRP24 submission.

##### Justification for outliers

N/a

##### Forecast sensitivity

N/a

##### Interactions with governmental policy

N/a

##### Benchmarking activities

N/a

##### BPDT references

N/a

##### Apportionment

N/a

## 7.4 Demand Performance

### **Commentary**

#### Assumptions

Actual data for RIIO-T1 and RIIO-T2 is sourced from the RRP14 to RRP21 and RRP24 submissions, respectively.

Forecast data from 2024/25 is based on the following assumptions:

- The highest daily total demand is the total demand including IUK in the Gas Ten Year Statement 2023, Falling Short 1-in-20 diversified table generated for LDZ split and Peak day NTS shrinkage from the Falling Short 1-in-20 diversified values.
- All other peak day demand is derived by subtracting the total LDZ demand and Shrinkage from the Highest daily total demand.
- There are no forecasted transmission system incidents.

#### RIIO-3 Profile and comparison to historic data

A detailed review of our proposals for RIIO-GT3 is included in NGT\_A10\_System\_Operator\_Annex\_RIIO\_GT3.

#### Justification for outliers

N/a

#### Forecast sensitivity

N/a

#### Interactions with governmental policy

N/a

#### Benchmarking activities

N/a

#### BPDT references

N/a

#### Apportionment

N/a

## 7.5 Compressor Performance and Utilisation

### **Commentary**

#### Assumptions

Actual data is sourced from relevant year RRP submissions.

Forecast run hours are derived from the high case for each zone in the TobySpace simulation model.

Consumed hours and unavailability inputs are provided and relevant to actual data only.

Run hours for compressors that support [REDACTED] entry capability do not assume any capability-related investment in the network.

#### RIIO-3 Profile and comparison to historic data.

Run hours are forecast to remain broadly steady throughout the RIIO-GT3 period. The decline towards the end of the period (<3% in total) is due to reduced forecast [REDACTED] flows and redistribution to LNG supplies in the [REDACTED], requiring less compression, particularly in [REDACTED].

#### Justification for outliers

Total forecast hours are higher than total historic hours due to use of the high case. The high case would not be expected in all areas at the same time.

#### Forecast sensitivity.

The forecast is based on the high case for each zone with actuals likely to be lower and does not factor in any events outside the scope of FES that could significantly change supply and demand patterns.

#### Interactions with governmental policy

N/a

#### Benchmarking activities

N/a

#### BPDT references

N/a

#### Apportionment

N/a



## 7.6 Compressor Assets

### **Commentary**

#### Assumptions

Data to populate this table is taken from the RRP24 submission.

#### RIIO-3 Profile and comparison to historic data

The data is actual data at a point in time and therefore further analysis and comparison between price control periods is not relevant.

#### Justification for outliers

N/a

#### Forecast sensitivity

N/a

#### Interactions with governmental policy

N/a

#### Benchmarking activities

N/a

#### BPDT references

N/a

#### Apportionment

N/a

## 7.7 Emissions

### **Commentary**

#### Assumptions

Data for RIIO-T1 and RIIO-T2 is sourced from the RRP21 and RRP24 submissions, respectively.

#### RIIO-GT3 profile and comparison to RIIO-T2

RIIO-GT3 data is not required for this BPDT which requires inputs for actual emissions only.

#### Justification for outliers

N/a

#### Forecast sensitivity

N/a

#### Interactions with governmental policy

We are required to comply with government emissions legislation; Large Combustion Plant and Medium Combustion Plant directives (LCPD and MCPD).

#### Benchmarking activities

N/a

#### BPDT references

N/a

#### Apportionment

N/a

## 7.8 Asset Data

### **Commentary**

#### Assumptions

Data for RIIO-T1 and RIIO-T2 is sourced from the RRP21 and RRP24 submissions, respectively.

In line with the Business Plan Data Table Guidance, data is provided for all assets whose installation has been completed by 1 April. Data has not been requested for 2024/25 onwards as these installations have not yet been completed. This approach is consistent with the guidance and other tables within Network Data (such as 7.6 Compressor Assets) where information relating to assets on the network has only been provided at a point in time.

#### RIIO-3 Profile and comparison to historic data

The table does not require RIIO-GT3 data, therefore comparison between price control periods is not relevant.

#### Justification for outliers

N/a

#### Forecast sensitivity

N/a

#### Interactions with governmental policy

N/a

#### Benchmarking activities

N/a

#### BPDT references

N/a

#### Apportionment

N/a

## 7.9 Forecast Scenarios

### **Commentary**

#### Assumptions

Data for RIIO-T1 and RIIO-T2 is sourced from RRP21 and RRP24 submissions, respectively.

#### RIIO-3 Profile and comparison to historic data

Peak supplies associated with [REDACTED] are expected to decline over time whereas the capability of interconnectors and [REDACTED] will remain constant. The forecast at [REDACTED] includes the increases associated with the [REDACTED] that has subsequently been cancelled.

#### Justification for outliers

N/a

#### Forecast sensitivity

The scenarios included in the table are intended to give a view on sensitivity.

#### Interactions with governmental policy

N/a

#### Benchmarking activities

N/a

#### BPDT references

N/a

#### Apportionment

N/a

## 7.10 System Characteristics

### Commentary

#### Assumptions

Previous RRP submissions are used to populate 2014-2021 data. Pipeline characteristics up to the current reporting year are sourced from Table 7.8 in RRP24.

System characteristics data is not required through RIIO-T2 RRP reporting for compressor units. Therefore, years 2022-2024 are populated using business information from internal systems used to record network assets.

There is a [REDACTED] difference between RRP 2021 submission data and calculations for 2022 compressor units. This is a timing issue on reporting the date on when the units were disconnected. These are the units at [REDACTED].

There is a difference between RRP 2021 submission data and calculations for 2022 multijunctions, entry and exit points. This is due to a reclassification of primary discipline of sites. We have corrected the 2021 data to ensure the carry forward totals are aligned to internal systems.

Additions and disposals forecast on this table are from projects reported in Tables 6.2 Projects and 6.6 Redundant Assets.

Any forecast decommissioning due to be delivered in RIIO-T2 but not yet claimed before 2024 has been assumed to happen in 2026 and entered as such.

The disposals across the period result from our decommissioning projects.

Forecast data from 2025/26 onwards is calculated based on assumed additions and disposals within the RIIO-GT3 capex plan.

The data included for disposals of compressors reflects the year in which a unit was disconnected.

Pipeline diversions are not included within the table as these are considered minor changes in pipeline lengths and cannot be forecast due to uncertainty about the length added/lost and location of these. Typically these are relatively short sections.

There are no lines within Table 7.10 for 84 bar pressure pipeline inputs. Therefore, we have combined this data with the 85 bar pressure pipeline to ensure it can be included and therefore total data is accurate. Table 7.10.1 shows analysis of 84 bar and 85 bar data.

			84 Bar	85 Bar	Total as per Table 7.10
Pipelines	1200mm diameter	Km	50.01	0	50.01
Pipelines	1050mm diameter	Km	372.61	0	372.61
Pipelines	900mm diameter	Km	226.53	986.24	1,212.78
Pipelines	750mm diameter	Km	0	0	0
Pipelines	600mm diameter	Km	0	0	0
Pipelines	500mm diameter	Km	0	0	0
Pipelines	<=450mm diameter	Km	0	0.07	0.07
<b>Pipelines</b>	<b>Total pipelines</b>	<b>Km</b>	<b>649.15</b>	<b>986.31</b>	<b>1,635.46</b>
Exit Points		#	3.00	13.00	16.00
Entry Points		#	0	0	0
Multijunctions		#	1.00	4.00	5.00

**Table 7.10.1** : Disaggregation of 84 and 85 bar data

#### RIIO-GT3 Profile and comparison to historic data

An additional 9km of pipeline is input in 2031 for the [REDACTED]. The cost associated with this project is included in the Table 11.6 as a reopener due to current uncertainty of costs as of the date of business plan submission. Disposal in the RIIO-GT3 period have been based on expected year of the project delivery.

The most common site type we have are block valve sites. In the RIIO-T2 period, we have piped through a number of these and turned them into pipelines for no additional length. In the RIIO-GT3 period, we will continue this activity.

Block Valves are not a reported type in Table 7.10, therefore these changes are not reflected.

There is provision in the RIIO-GT3 plan for customer (Exit or Entry Point) disconnection, led by a site no longer needing to supply gas or use gas. These are yet to be defined so have not been assigned to specific sites.

Compressor additions and removals in the RIIO-GT3 period are driven by the commissioning of MCPD driven work, with the addition of a new Unit at [REDACTED] and [REDACTED] which are current inflight projects, as well as [REDACTED] at [REDACTED]. However in the same period, there is a net loss of Units. This is driven by Medium Combustion Plant Directive (MCPD) and work that will be delivered in RIIO-T2 and RIIO-GT3. As new units are delivered towards the end of the RIIO-T2 period, are commissioned, the units they are replacing are disconnected and decommissioned. There are some units that are units that are subject to MCPD legislation but are not required to be replaced as there is sufficient capability already at the site or nearby on the network. This drives a net loss overall.

#### Justification for outliers

N/a

#### Forecast sensitivity

Additions and disposals forecast on this table are reliant on projects being completed as planned.

#### Interactions with governmental policy

Compressor additions and disposals relate to our compliance with government emissions legislation Large Combustion Plant and Medium Combustion Plant directives (LCPD and MCPD).

#### Benchmarking activities

N/a

#### BPDT references

Additions and disposals forecast on this table are as a result of projects reported within Table 6.2 Projects and Table 6.6 Redundant Assets.

#### Apportionment

N/a

## Section 8 - Outputs

### 8.1 Customer Satisfaction

<b>Commentary</b>	
<u>Assumptions</u>	
The RIIO-GT3 survey areas are assumed to reduce from 9 to 4 as shown in Table 8.1.1.	
<b>Current Survey Areas</b>	<b>New Proposed Survey Areas for RIIO-GT3</b>
Connections Project Union Markets & Strategy	Long-term customer activities
Energy Balancing Capacity Auctions	Market facilitation
GNCC Maintenance Service Operational Liaison	Day-to-day customer activities
Events	Other activities & events
<b>Table 8.1.1</b> : Customer satisfaction survey areas	
RIIO-T1 and RIIO-T2 are mapped into the RIIO-GT3 proposed survey areas as shown in Table 8.1.2 and Table 8.1.3, respectively.	
<b>RIIO-T1 Survey Areas</b>	<b>New Proposed Survey Areas for RIIO-GT3</b>
Connections Team / Gas Connections / Gas Transmission Connections Team / Connections, Disconnections, Diversions process	Long-term customer activities
Diversions / Diversions team	
Future Energy Scenarios Team / FES / Future use of our gas network	
Future Markets Gas Team	
Gas Contract Services Team / Gas Contracts	
Gas Delivery Services Team	
Gas Diversions	
Gas Market Change / Market Change Gas	
Gas Transmission Stakeholder Team	
Local Authority Team	
Modification/Minor Works	
Planning Application Process	
Energy Balancing Team	
Gas Capacity / Gas Capacity Team / Capacity auctions	
Gas Energy Balancing	
End of day allocations and measurements	

Gas Metering / Metering / Metering & engineering	Day-to-day customer activities
Customer Liaison / Customer Liaison Team	
Emergency Planning / Emergency Planning Team	
Gas Emergency	
Gas Maintenance / Maintenance Process	
Gas Transmission Operations	
Gas Transmission Operations East Area Team	
GNCC & Gas Ops	
GSO customer liaison	
GSO Liaison Meeting	
Maintenance Team	
MIPI webtier	
Operational Forum	
OPS - Customer Liaison, day to day operational engagement	
Ops forum & GNCC / Ops Forum & GNCC Team	
Events	Other activities & events

**Table 8.1.2** : RIIO-T1 survey areas mapped to RIIO-GT3 proposed survey areas

RIIO-T2 Survey Areas	New Proposed Survey Areas for RIIO-GT3
Connections Service	Long-term customer activities
Construction Service	
Gas Markets Policy & Change Service	
Markets & strategy	
Project Union Team	
Capacity Auction Service	Market facilitation
Energy Balancing Services	Day-to-day customer activities
GNCC	
Maintenance Service	
Operational Liaison Team / Day to day account management	Other activities & events
Events	

**Table 8.1.3** : RIIO-T2 survey areas mapped to RIIO-GT3 proposed survey areas

RIIO-3 Profile and comparison to historic data

Overall, CSAT scores have improved over RIIO-T2 with some fluctuations by survey area over the period. Our forecast is based on the average score of the last five years for each new survey area for the remainder of RIIO-T2 and RIIO-GT3 periods. Recalibrating the target scores to the average of the last five years will allow us to continuously strive for improvement and increases targets by a range of 0.4 to 0.8. Using the historical average challenges us to further improve our service given we would receive no financial reward if



we continued to match our recent strong performance. In addition, year-on-year increasing customer service expectations and diminishing room for improving already high scores will make this target all the more challenging to outperform

Justification for outliers

N/a

Forecast sensitivity

Our performance in the survey is dependent on customer feedback and is therefore sensitive to our performance and scores provided.

Interactions with governmental policy

N/a

[REDACTED]

BPDT references

N/a

Apportionment

N/a

## 8.2 Environment

### Commentary

#### Assumptions

#### **Tables 1, 2 and 4a – BCF and forecast**

Data relating to the BCF is taken directly from RRP Table 8.2 for 2022/23 and 2023/24. Forecast figures originate from NGT's decarbonisation modelling. NGT undertook this exercise in 2023 to forecast its business carbon footprint performance with and without (counterfactual) decarbonisation levers or initiatives applied. This exercise was undertaken to support establishment of NGT's net zero by 2050 commitment for scope 1 and 2 emissions following separation from National Grid Group. NGT's baseline year was established as 2022/23 for reporting progress against its net zero commitment. Data has therefore not been included within the table for years prior to this.

To forecast NGT's business carbon footprint performance, the gas demand forecast scenarios in FES 2022 were used with NGT choosing System Transformation as the most representative scenario and most aligning to NGT's business strategy at the time. The gas demand forecast in the FES System Transformation scenario then drove forecast compressor emissions, the dominant source of NGT's scope 1 and 2 footprint. Forecasts in other emission sources were set by reasonable assumptions made on electrification of NGT's commercial vehicle fleet, reduction in carbon intensity of the electricity system and transition away from gas emitting devices in operation on the NTS such as gas actuated flow control valves and gas quality measuring assets.

NGT is in the process of taking these theoretical reductions and turning them into actual forecast reductions linked to Capex investments in the RIIO-GT3 Business Plan. They are therefore subject to change as NGT develops its RIIO-GT3 submission.

#### **Tables 3a and 4b - Embodied Carbon and forecast**

Using our Carbon Interface Tool (CIT), NGT has produced two complete embodied carbon footprints for RIIO-T2 which include a design baseline and as built total for two major projects.

For Table 4b, no forecast/scenario data is available at present. Forecasting expected emission totals will require us to extrapolate existing data across similar projects planned for RIIO-T3. This is therefore reliant on an embodied carbon footprint being available for similar projects e.g. those with similar financial value/project type. We are currently developing an embodied carbon strategy within which we will be considering projects expected within RIIO-GT3 and how the relevant EAP target could influence reductions.

#### **Tables 3b and 4c - Incidents and forecasting**

Data is included within this table for incidents occurring in RIIO-T2. We strive for zero environmental incidents and are unable to forecast incidents.

#### **Tables 3c and 4d – Waste and forecasting**

Data for this table originates from that submitted in RRP Table 8.3 which is used to calculate the percentage per waste management method. This includes office and operational waste only. Reporting of construction waste from our contractors is improving via our internal portal, but whilst this data only represents a portion of projects this is not included as the percentage breakdown per source would not be representative. The waste data available to us for our offices and operational sites has improved in the past two

years and now provides us with greater insight into the waste management methods (instead of being grouped under “diverted”).

Forecasting for this table proved challenging. Proposed waste related RIIO-GT3 EAP targets relate to increasing our recycling rate e.g. 70% for offices, 80% for operational sites. Therefore, the forecast percentages relate to this. A forecast for total kg of waste has not been calculated and therefore an expected breakdown for each waste management method is unable to be produced. We do not believe estimations for this would be beneficial as they would not be based on clear drivers of waste produced and disposal methods.

### **Tables 3d and 4e – Biodiversity and forecasting**

At present, no data has been provided for this table. There are challenges with forecasting biodiversity improvements for projects where planning has not begun.

#### RIIO-3 Profile and comparison to historic data

Based on the comments we have provided regarding forecasting in the Assumptions section, we consider further analysis and comparison between price control periods is not relevant.

#### Justification for outliers

N/a

#### Forecast sensitivity

N/a

#### Interactions with governmental policy

Our commitment to reduce scope 1 and scope 2 emissions to Net Zero by 2050 as defined in our Science Based Target initiative (SBTi) glidepath supports the UK Governments commitment to achieve Net Zero by 2050 as set out in The Climate Change Act 2008.

#### Benchmarking activities

N/a

#### BPDT references

N/a

#### Apportionment

N/a

### 8.3 Gas Constraints

#### Commentary

##### Assumptions

RIIO-T1 data is consistent with the RRP14 to RRP21 submissions, rebased to 23/24 prices. In RIIO-T1 Locational Buy Actions and Turnup or turndown contracts were reported in their individual rows and in the Operational buying back of capacity (entry and exit) row. Therefore, to avoid duplication only the Operational buying back of capacity (entry and exit) is included in the Constraint Management Costs total row. It should be noted that reporting has evolved in RIIO-T2 and this is no longer the case, however values reported here are consistent with how they were originally reported in RRP.

RIIO-T2 actuals data for 2021/22 to 2023/24 is as per the RRP24 submission. RIIO-T2 values for 2024/25 and 2025/26 are input as the current performance target (with no price base adjustment) and have been entered as costs in the constraint management costs field.

The RIIO-GT3 Constraint Costs Management scheme has not been agreed with Ofgem - forecasts provided in the constraint management costs field reflect the performance target proposed in the RIIO-GT3 Business Plan.

The revenue for 2024/25 and 2025/26 is not sourced from the Dry Run 2 RRP24 submission as more up to date forecasts are available.

##### RIIO-3 Profile and comparison to historic data

The forecast values are aligned to current scheme targets and we therefore consider further analysis and comparison between price control periods is not relevant.

##### Justification for outliers

N/a

##### Forecast sensitivity

N/a

##### Interactions with governmental policy

N/a

##### Benchmarking activities

N/a

##### BPDT references

N/a

##### Apportionment

N/a

## 8.4 Innovation

### **Commentary**

#### Assumptions

The Business Plan Data Table Guidance states that this table is only required to be completed if NGT is seeking additional baseline funding to deploy proven innovation. No additional baseline funding is being requested therefore this table has not been completed.

#### RIO-3 Profile and comparison to historic data

N/a

#### Justification for outliers

N/a

#### Forecast sensitivity

N/a

#### Interactions with governmental policy

N/a

#### Benchmarking activities

N/a

#### BPDT references

N/a

#### Apportionment

N/a

## 8.5 Network Innovation Allowance

### Commentary

#### Assumptions

The data request for the Network Innovation Allowance expenditure covers the RIIO-T2 and RIIO-GT3 periods. As discussed between NGT and Ofgem during the development of the BPDT, RIIO-GT3 data is available by theme rather than project and is therefore provided by theme – Fit for Future, Ready for Decarbonisation and Decarbonised Energy System.

Data for RIIO-T2 is sourced from the RRP24 submission. The RIIO-T2 data is available and presented by project as per the RRP submission. This provides a greater level of detail for in flight projects which is not available for future projects at this stage.

#### RIIO-3 Profile and comparison to historic data

Through RIIO-T2 we are spending approximately £7m per annum and have further ambitions to increase our innovation activities in RIIO-GT3, requiring an increased spend of £8m per annum. The requirement of £40m in total, across the price control period, aligns to the ramp up of our activities surrounding the hydrogen backbone and repurposing of the UK NTS assets to hydrogen and carbon transportation, whilst also supporting innovative proposals from third parties.

As per RIIO-T2, our forecast has been profiled for each year based on how we see the future energy landscape changing with a larger proportion of spend being focused towards Ready for Decarbonisation and Decarbonised Energy System as we work towards meeting the 2050 net zero target.

At this stage, we do not provide costs per project for RIIO-GT3 as, due to the nature of Innovation activities, these projects are not yet known or decided. Instead, as per the RIIO-T2 price control we have provided costs per Innovation theme – Fit for Future, Ready of Decarbonisation and Decarbonised Energy System.

#### Justification for outliers

Due to the nature of innovation projects, there are no outliers to consider, as each project is stand alone and not directly comparable to any others.


#### Forecast sensitivity

N/a

#### Interactions with governmental policy

Projects are required to comply with the most recent version of the NIA governance document.

[REDACTED]



BPDT references

N/a

Apportionment

N/a

## 8.6 Carry Over Network Innovation Allowance

### **Commentary**

#### RIIO-3 Profile and comparison to historic data

We are not currently forecasting any underspend of our RIIO-T2 (2025/26) allowance and therefore nil values have been input.

#### Justification for outliers

N/a

#### Forecast sensitivity

N/a

#### Interactions with governmental policy

Projects are required to comply with the most recent version of the NIA governance document.

#### Benchmarking activities

N/a

#### BPDT references

N/a

#### Apportionment

N/a



## 8.7 Network Innovation Competition

### **Commentary**

#### Assumptions

Data for RIIO-T1 is sourced from the RRP14 to RRP21 submissions. The RIIO-T1 RRP templates required nominal price reporting, therefore the values have been converted to 2023/24 price base from nominal price base.

Data for RIIO-T2 is sourced from the RRP24 submission and converted to 2023/24 price base from 2018/19 price base reported.

#### RIIO-3 Profile and comparison to historic data

The purpose of this table, as set out in the RIIO-GT3 Gas Transmission Price Control – BPDT Guidance, is to record RIIO-T1 NIC funded projects that remain in-flight during RIIO-GT3.

NGT does not have any RIIO-T1 NIC funded projects in flight in RIIO-3. However, to present a full overview, three projects that were NIC funded during RIIO-T1 and RIIO-T2 that have now completed have been included.

#### Justification for outliers

N/a

#### Forecast sensitivity

N/a

#### Interactions with governmental policy

N/a

#### Benchmarking activities

N/a

#### BPDT references

N/a

#### Apportionment

N/a

## 8.8 Strategic Innovation Fund

### Commentary

#### Assumptions

Data for RIIO-T2 is sourced from the RRP24 submission. The rollover of these projects into RIIO-GT3 is based on current business information.

The RIIO-GT3 Gas Transmission Price Control – BPDT Guidance for Table 8.8 states “This table does not require companies to input SIF projects they have not started yet/may start in RIIO-3”. Therefore, data is not provided for SIF projects that have not yet started.

#### RIIO-3 Profile and comparison to historic data

The FutureGrid Compression and FutureGrid Deblending projects will both rollover into the first year of RIIO-GT3 as per the original delivery plans. At the date of submission of the RIIO-GT3 business plan, these are the only SIF projects with certainty of rollover. NGT is submitting projects into Round 3 and 4 (plus any subsequent rounds) and any successful [REDACTED] in these rounds will rollover should they receive funding. During RIIO-GT3, NGT will continue to submit high quality applications to the SIF covering a wide range of innovation demonstrations that will support our business and deliver customer benefit.

#### Justification for outliers

N/a

#### Forecast sensitivity

N/a

#### Interactions with governmental policy

N/a

[REDACTED]

#### BPDT references

N/a

#### Apportionment

N/a



## 8.9 Net Zero

### Commentary

#### Assumptions

The data request covers the RIIO-T1, RIIO-T2 and RIIO-GT3 periods. Net Zero Use It Or Lose It (UIOLI) funding was not available during RIIO-T1, therefore nil values have been input.

As discussed between NGT and Ofgem during the development of the BPDT, RIIO-GT3 data is available by theme rather than project and is therefore provided by theme – Fit for Future, Ready for Decarbonisation and Decarbonised Energy System.

Data for RIIO-T2 is sourced from the RRP24 submission.

The RIIO-T2 data is available and presented by project in this table as per the RRP submission. This provides a greater level of detail for in flight projects which is not available for future projects at this stage.

#### RIIO-3 Profile and comparison to historic data

NGT welcomes the continuation of the Use It Or Lose It (UIOLI) fund in RIIO-GT3 to support early work for large scale, capital projects and regional planning. This will include work on Project Union routes and other regional strategies in RIIO-GT3.

Net zero costs forecast through this mechanism remain consistent with RIIO-T2. The driver for this spend continues to be to fund small net zero facilitation projects and early development work.

At the date of submitting the business plan, we are unable to provide costs per project for RIIO-GT3 as due to the nature of Innovation activities these projects are not yet known/decided. Instead, as per the RIIO-T2 price control we have provided costs per Innovation theme – Ready for Decarbonisation and Decarbonised Energy System.

#### Justification for outliers

Due to the nature of innovation projects, there are no outliers to consider, as each project is stand alone and not directly comparable to any others.

#### Forecast sensitivity

N/a

#### Interactions with governmental policy

The UK government has stated that we need to achieve net zero emissions by 2050. Our innovation strategy and funding associated with it are aimed at enabling the transition to net zero emissions.

[REDACTED]

BPDT references

N/a

Apportionment

N/a

## Section 9 – GSO incentives

### 9.1 Operating Margins

<b>Commentary</b>
<p><u>Assumptions</u></p> <p>Data for RIIO-T1 and RIIO-T2 is sourced from the RRP21 and RRP24 submissions, respectively. The value for 2024/25 is based on the contracts in place and full availability with further 2% inflation assumed for 2025/26.</p> <p>Forecast costs associated with the RIIO-GT3 period have a higher degree of uncertainty. These forecast costs are reduced based on the expectation of a marginal fall in gas prices and more LNG coming online. No additional inflation is applied to the RIIO-GT3 costs.</p>
<p><u>RIIO-3 Profile and comparison to historic data</u></p> <p>The RIIO-GT3 forecasts have a high degree of uncertainty but the current expectation is for gas prices to marginally fall from 2027/28 and more LNG coming online may also suppress gas prices.</p> <p>The forecast values reflect higher prevailing gas prices compared to history.</p>
<p><u>Justification for outliers</u></p> <p>N/a</p>
<p><u>Forecast sensitivity</u></p> <p>Annual numbers will fluctuate based on gas prices, volume requirements and tender prices. The pass through mechanism within the regulatory framework ensures that the actual operating margins costs are included within allowed revenue.</p>
<p><u>Interactions with governmental policy</u></p> <p>N/a</p>
<p><u>Benchmarking activities</u></p> <p>N/a</p>
<p><u>BPDT references</u></p> <p>Operating margins values input into Table 9.1 are linked through to Table 4.2 BPFM Inputs SO for inclusion in the Business Plan Financial Model and allowed revenue, financeability and consumer bill calculations.</p>
<p><u>Apportionment</u></p> <p>N/a</p>

## 9.2 NTS Shrinkage Report

### Commentary

#### Assumptions

Data for RIIO-T1 is sourced from RRP14 to RRP21 submissions supplemented by business information where the data was not requested through the RRP process.

Data for RIIO-T2 first three years is sourced from the RRP24 submission supplemented by business information. The values for 2023/24 (meter errors and other) have been updated from RRP values based on business information. Data for RIIO-T2 last two years is forecast using latest cost and volume forecasts and business information.

For RIIO-T1 and RIIO-T2, the breakdown of the UAG costs utilises the meter reconciliation data provided by the Energy Balancing team tracker. This has been input in the metering error row. Information is not available to breakdown further with cells therefore completed as "unknown" within the table. The Other category is therefore UAG minus meter error (recognising that meter error can be a positive or negative value). It should also be noted that the meter reconciliation values may have been incurred and recovered in different years. The meter errors row values are based on the actual meter errors identified.

For RIIO-T2 inputs the following assumptions are made:

- For gas, electricity and emissions, the Argus Prices from 21 October 24 are utilised to calculate system costs for 2024/25 and 2025/26, with the exception of 2024/25 emissions where the Argus price from 16 October is used due to forecasting timescales.
- For the OUG, CVS and UAG values, 2024/25 includes actuals for April 24 to 20 October. The volumes from 2024/25 are rolled forward to 2025/26

For RIIO-GT3 inputs the following assumptions are made:

- For the CFU values from 2026/27 to 2030/31, 2025/26 volumes are taken and the percentage increase or decrease from Table 7.5 (compressor hours) for each year then applied.
- For the CVS and UAG values, the volumes from 2025/26 are rolled forward to 2026/27 to 2030/31. For ECC costs, the 2025/26 volumes are taken and the percentage increase or decrease from Table 7.5 applied to each year.
- The system costs utilise the volumes from rows 14 to 16 and Argus gas prices from 21 October 2024 for each quarter within each year 2026/27 to 2029/30. Quarter prices were only available until 2029/30. For 2030/31 seasonal price is used Summer 30 and Winter 29. Seasonal prices were available only until Summer 30.
- For electricity, Argus prices from 21 October for seasons are used. Quarter prices were unavailable and season prices were only available until Summer 28. For 2028/29 to 2030/31, Summer 28 and Winter 27 prices were used.
- No adjustment has been made for reconciliations. Adjustments are made for forecast third party revenues. General electricity costs for 2024/25 have been rolled forward to RIIO-GT3 and this method repeated for general gas costs.
- For the UK Emissions Trading Scheme, volumes from 2024/25, and prices from Argus 21 October 24 are used to calculate emission costs, which feed system costs. Prices were only available until December 2027, so for 2028/29 to 2030/31, the December 2027 price is used.
- For 2024/25 to 2030/31 compression gas costs, we have utilised the Ofgem RRP formula / methodology whereby the shrinkage costs less the ECC equals the gas cost.

To then calculate the £m inputs required for row 11, row 14 is taken as a percentage of the sum of rows 14 to 16 and this percentage applied generate a monetary input for CFU. This process is repeated to calculate the inputs for rows 12 and 13, CVS and UAG.

#### RIO-3 Profile and comparison to historic data

The underlying assumptions and data sources described in the Assumptions section drive the forecast values.

#### Justification for outliers

Shrinkage costs in 2022/23 and 2023/24 are significant outliers from other years due to the impact of higher market gas prices in this period.

#### Forecast sensitivity

Costs forecasts are driven by expected shrinkage volumes and gas, electricity and emissions market prices. Our prices assumptions are based on recent Argus assessments.

The pass through mechanism within the regulatory framework ensures that the actual operating margins costs are included within allowed revenue.

#### Interactions with governmental policy

N/a

#### Benchmarking activities

N/a

#### BPDT references

CFU values from 2026/27 to 2030/31, relative to 2025/26, are calculated to be consistent with Table 7.5 Compressor Util Perf.

System cost (GC and ECC) values input into Table 9.2 are linked through to Table 4.2 BPFM Inputs SO for inclusion in the Business Plan Financial Model and allowed revenue, financeability and consumer bill calculations.

#### Apportionment

N/a



## 9.3 Residual Balancing

### Commentary

#### Assumptions

For Residual Balancing costs:

- RIIO-T1 and RIIO-T2 data up to 2023/24 is based on actuals and stated in 2023/24 price base
- From 2024/25, costs are based on the RIIO-T2 average with RIIO-GT3 values based on 5 years previous average.

For Residual Balancing actions:

- RIIO-T1 data is sourced from the relevant year RRP submission.
- RIIO-T2 actual data up to and including 2023/24 is sourced from the RRP24 submission.
- For RIIO-T2 from 2024/2025 and RIIO-GT3 values are forecast based on utilising the average number of residual balancing actions from 2019/2020 to 2023/24 (excluding 2022/2023 which was influenced by the Russia/Ukraine war) to complete the forecast number of residual balancing actions for 2024/25 to 2030/31.

For Residual Balancing Incentive Revenue:

- RIIO-T1 data is sourced from the relevant year RRP submission.
- RIIO-T2 actual data up to and including 2023/24 is sourced from the RRP24 submission.
- Incentive performance is not forecast for the final 2 years of the RIIO-T2 period in line with the approach for RRP reporting due to the uncertainty regarding the value.

#### RIIO-3 Profile and comparison to historic data

For further information on RIIO-GT3 please see NGT\_A10\_System\_Operator\_Annex\_RIIO\_GT3.

#### Justification for outliers

For RIIO-T2 from 2024/2025 and RIIO-GT3 values are forecast based on utilising the average number of residual balancing actions from 2019/2020 to 2023/24 (excluding 2022/2023 which was influenced by Russia/Ukraine war) to complete the forecast number of residual balancing actions for 2024/25 to 2030/31.

#### Forecast sensitivity

N/a

#### Interactions with governmental policy

N/a

#### Benchmarking activities

N/a

BPDT references

Residual balancing cost values input into Table 9.3 are linked through to Table 4.2 BPFM Inputs SO for inclusion in the Business Plan Financial Model and allowed revenue, financeability and consumer bill calculations.

Apportionment

N/a

## 9.4 Demand Forecasting

### Commentary

#### Assumptions

RIIO-T1 and RIIO-T2 data requested is sourced from the relevant year RRP submissions.

For the final 2 years of RIIO-T2, assumptions underpinning the forecast are:

- For the D-1 Average error for 2025/26, the target plus a small demand forecasting short-cycle storage adjustment (DFSA) has been applied (Target 8.35 + 0.05 DFSA). The small DFSA is similar to the values observed in recent years.
- Performance equates to the target for 2024/25 and 2025/26, resulting in nil performance for these years.
- For D-2 to D-5 2024/25 and 2025/26, the RIIO-T2 target of 13.7 is rolled forward.

The proposed RIIO-GT3 scheme for Demand Forecasting has been discussed at a high level with Ofgem but not yet agreed.

The assumptions relating to RIIO-GT3 scheme are:

- For D-1, a financial scheme is proposed with the same caps and collars as RIIO-T2 (+/-£1.5m).
- The 8.35mcm target from RIIO-T2 is utilised and then 80% of the demand volatility witnessed from the RIIO-T2 period is used to adjust the target, in effect to recalibrate to the current market dynamics and reflect a level of continuous improvement. This, however, does not include any adjustment for the new adjuster that NGT is proposing related to growth in wind generation and the error this may present.
- For D2-D5, a reputational scheme is proposed to be maintained, with the same approach being utilised to adjust the target as used for D-1, that is, the RIIO-T2 target is taken with 80% of the volatility seen in RIIO-T2 added.

#### RIIO-3 Profile and comparison to historic data

As RIIO-GT3 forecasts are based on RIIO-T2 targets and data and the structure of any incentive is yet to be agreed, we consider further analysis of the RIIO-GT3 profile or comparison to RIIO-T2 values not to be relevant at this stage.

#### Justification for outliers

N/a

#### Forecast sensitivity

The RIIO-GT3 incentive values are dependent on the structure and targets of the incentive which have yet to be agreed with Ofgem. Demand error is also subject to forecast sensitivity which requires consideration through calibration of the incentive.

#### Interactions with governmental policy

CP30 may lead to accelerated deployment of renewables which is captured via the proposed wind adjuster.

Benchmarking activities

N/a

BPDT references

N/a

Apportionment

N/a

## 9.5 GHG Venting Data

### Commentary

#### Assumptions

RIIO-T1 and RIIO-T2 data is sourced from the relevant year RRP submissions. Revenue figures are stated in 2023/24 prices. However, reference gas prices are as per RRP as conversion of gas prices by CPIH could be misleading. In RIIO-T1, the incentive scheme was downside only and uncapped hence Venting Emissions Performance is the same as Greenhouse Gas Emissions Revenue. In RIIO-T2, the scheme is capped and collared at £1.5m (in 2018/19 prices).

For RIIO-T2 forecast data:

- Current RIIO-T2 GHG volume forecast is included but it should be noted that the outcome remains highly uncertain.
- The breakdown of this forecast volume into causes is based on the average proportion of that cause over the RIIO-T2 actual period.
- The reference price for the remainder of the RIIO-T2 period is based on the 2023/24 price (although it is likely that this will increase).

The potential RIIO-GT3 scheme(s) for GHG have not yet been discussed or agreed with Ofgem. The RIIO-GT3 inputs are populated based on the following assumptions:

- RIIO-GT3 venting causes are not included in the table as these are unknown at this time.
- The RIIO-T2 target allowance of 2,897 tonnes is reduced to 2,600 tonnes across the RIIO-GT3 period.
- An increase in Incentive reference price (in £/tonne of natural gas vented) from ~£2500 to ~£8000 is due to two impacts:
  1. We are proposing to update the Methane CO2 conversion from 1:25 to 1:28, in line with current European standards.
  2. The new values in traded carbon price are significantly higher as during RIIO-T2 we used the government's non-traded carbon reference price from the HM Treasury Green Book on Appraisal and Evaluation. This price ends and the new price central carbon reference price will be in place in RIIO-GT3. This higher price reflects the UK's ambitious climate reduction obligations. The previous values were based on an 80% emissions reduction target whereas the new values are consistent with the Net Zero and Paris 1.5C policy aims. Furthermore, the Government value traded and non-traded carbon at the same price since it is important that the decarbonisation strategy gives equal weight to emissions from the traded and non-traded sectors.
- Based on this incentive reference price an estimated increase based on RPI has been applied.

#### RIIO-3 Profile and comparison to historic data

As RIIO-GT3 forecasts are based on RIIO-T2 actuals, potential flow patterns and new commissioning work and the targets and performance measures of any incentive is yet to be finalised, no comparison of the incentive outcome is meaningful at this stage.

#### Justification for outliers

N/a

Forecast sensitivity

The RIIO-GT3 incentive values are dependent on the structure and targets of the incentive which have yet to be agreed with Ofgem. Venting data is also subject to forecast sensitivity which requires consideration through calibration of the incentive.

Interactions with governmental policy

The carbon reference price will be influenced by Government policy as described in the assumptions section.

Benchmarking activities

N/a

BPDT references

N/a

Apportionment

N/a

## 9.6 Maintenance

### **Commentary**

#### Assumptions

RIIO-T1 data is sourced from the relevant year RRP submissions and the RIIO-T2 data from the RRP24 submission.

The forecast for 2024/25 is based on year-to-date performance for 2024/25. Forecasts for the final year of RIIO-T2 are assumed consistent with 2024/25 values for all aspects of the incentive. This is also based on the assumption that the current scheme is rolled forward. The RIIO-GT3 incentive is yet to be discussed in detail or agreed with Ofgem.

#### RIIO-3 Profile and comparison to historic data

As RIIO-GT3 forecasts are based on RIIO-T2 targets and data and the structure of any incentive is yet to be discussed and agreed, we consider further analysis of the RIIO-GT3 profile or comparison to RIIO-T2 values is not relevant at this stage.

#### Justification for outliers

N/a

#### Forecast sensitivity

The RIIO-GT3 incentive values are dependent on the structure and targets of the incentive which have yet to be agreed with Ofgem. Maintenance data is also subject to forecast sensitivity which requires consideration through calibration of the incentive.

#### Interactions with governmental policy

N/a

#### Benchmarking activities

N/a

#### BPDT references

N/a

#### Apportionment

N/a









[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

















## 10.8 Data Validation

### Commentary

The Data Validation table is used as a repository for terminology used in the debt tables and does not require input from NGT.

## 10.9 Related Party

### Commentary

#### Assumptions

RIIO-T1 actual cost data is sourced from RIIO-T2 BPDT for 2013/14 to 2018/19, inclusive and from the relevant year RIIO-T1 RRP submissions for Financial Years 2019/20 and 2020/21. As the data is populated directly from previous submissions, the inputs are in line with guidance provided for these previous submissions.

RIIO-T2 actual data for Financial Years 2021/22 and 2023/24 inclusive is sourced from the RIIO-T2 ██████████ Agreed Upon Procedures (AUP) report Appendix 7, as submitted to Ofgem. The AUP reports zero margin on all related party transactions and therefore Turnover/ sales/ recharge is assumed to be equal to total cost in these periods.

Forecast related party data is not requested through the RRP process and therefore the BPDT does not require data inputs for the final 2 years of RIIO-T2. Similarly, forecast data is not required to be input for RIIO-GT3.

As per the Instructions for Completion set out within the RIIO-GT3 BPDT Guidance, a materiality threshold is applied such that where the total charge from a related party to the transmission business is less than £500k per annum that is not included within the table.

Signage convention used is in accordance with the RIIO-GT3 BPDT guidance.

The RIIO-T1 data was completed in line with RRP RIGs where only transactions with a profit margin were reported. For RIIO-T2, data populated from AUPs which includes related party transaction at nil margin.

#### RIIO-3 Profile and comparison to historic data

As forecast values are not required, comparison of RIIO-T2 and RIIO-GT3 data is not applicable. Our related parties are expected to change on completion of final minority interest sale held by National Grid in NGT. Any changes will be in line with the definition of a related party.

#### Justification for outliers

Additional related party transactions are reported in 2021/22 due sourcing data from AUP which includes transactions at nil margin. Related parties prior to 2021/22 only include transactions made at a margin. From year 2022/23, transactions with related parties on lines 15-24 cease, as transaction with National Grid Group are through a transactional service agreement (TSA) with National Grid Electricity Transmission Plc. This causes an increase in size of related party transactions with National Grid Electricity Plc in years 2022/23 and 2023/24.

Related party transactions with NGTH in 2023/23 and 2023/24 relate to interest between NGT and NGTH.

Related party transactions with NG property holdings Limited in 2023/24 relate to the purchase of property at market value.

#### Forecast sensitivity

Actual data only is required in this table therefore commentary on forecast sensitivity is not applicable.

Interactions with governmental policy

Whilst not directly related to government policy, related party reporting will be informed by and align with accounting standards and regulatory instructions for definition of related party transactions.

Benchmarking activities

N/a

BPDT references

N/a

Apportionment

N/a

## 10.10 RPEs and OE

### Commentary

#### Assumptions

Assumptions underpinning real price effect inputs are:

- The labour RPE forecast uses OBR average earnings sourced from the Office for Budget Responsibility, Official forecast database – October 2024 (<https://obr.uk/download/historical-official-forecasts-database/?tmstv=1731577576>) for 2024/25 to 2028/29. The years 2029/30 and 2030/31 are not included within the OBR forecast, we have therefore used a 5-year historical average for these 2 years.
- CPIH forecast rates are sourced from Table 1.5 in line with Ofgem BPDT guidance.
- Material RPE forecast uses RIIO-T2 long term average material growth rates of 4.02% and 4.32% for 3/S3 and FOCOS respectively, as per rates used in RIIO-T2.
- An RPE index is included for transport and plant and machinery costs at the average growth rate over RIIO-T1 and RIIO-T2 of 3.07% (as per NGT\_C14\_██████\_Potential\_Improvements\_to\_RPE\_framework\_at\_RIIO-3, RIIO-T1 and RIIO-T2 growth 2.6% and 9.9% respectively).
- RPE weightings for each regulatory category are built up depending on availability of information and through processes such as bottom-up build, industry expertise and professional consultancy. For example, property non-operational capex comprises of spend on numerous projects with wide ranging compositions of labour and materials and we have therefore used external consultant to inform a standard split of spend. Weighting assumptions are specific to each regulatory cost category:
  - Non-variant allowed load related expenditure weightings are not populated, as we have no planned load-related capex in RIIO-GT3.
  - Non-variant allowed asset replacement capex expenditure weightings are based on RIIO-T2 weightings as the nature of work is largely consistent.
  - Non-variant allowed other capex weighting is based on the allocation provided in Tables 5.16a and 5.16b.
  - Non-variant allowed non load opex and indirect opex weightings are based upon a bottom up build of our business plan.
  - The non-variant allowed non-operational capex weighting is further disaggregated into the individual non-operational capex regulatory categories (IT & Telecoms, STEPM, vehicles and property) and assessed on that basis. Property weightings are based on industry standards and confirmed by our external property consultants. IT & Telecoms weighting has been assessed via a bottom-up build. Vehicle and STEPM are wholly related to materials and plant and equipment respectively.
  - As per the BPDT guidance, contractor labour has been excluded from the weightings for general and specialist labour.
- Lines 10 to 16 of Table 10.10 include indices of forecast cost movement. Composite indices have been created using forecasts of labour, materials, plant and equipment and transport and applying the relevant weighting within Table 10.10. For the forecast cost movement indices (lines 10 to 16 of Table 10.10) we have included contractor labour at OBR average earnings index under the assumption contractor labour moves in line with the economy-wide labour index. We expect an RPE for the contractor labour element of our cost base, in line with RIIO-T2.
- Disaggregated opex and capex RPE costs are calculated by application of forecast regulatory cost category indices (lines 10 to 16) to the totex business plan by regulatory category. The totex plan used is our baseline plan (that is, excluding the re-openers included within Table 11.6) excluding RIIO-T2 reopeners.

- The original Table 10.10 as issued by Ofgem on 11 October 2024 omits lines for System Operator Network Operating costs and Resilience (Cyber IT/OT) other indirect opex; these have therefore been added into Table 10.10 for completeness with the change noted in Table 1.4 Changelog.

Ongoing Efficiency (OE) assumptions are:

- OE is assumed to be 0.5% per annum compounded from the start of RIIO-GT3. A midpoint of [REDACTED] range of 0.2% to 0.8% is selected as the most appropriate point estimate based upon [REDACTED] research and benchmarking of productivity data contained in its report (NGT\_C17 [REDACTED] Ongoing Efficiency for Gas Networks at RIIO-3 and NGT\_C18 [REDACTED] Further Evidence on Ongoing Efficiency for Gas Networks at RIIO-3). Further details can be found in NGT\_A12\_Cost\_Assessment\_and\_Benchmarking\_Approach\_RIIO\_GT3 annex.
- The autumn budget 2024 announced an increase in employers national insurance contributions from 13.8% to 15% and lowering of the threshold to £5,000 per annum, impacting our RIIO-GT3 cost base over both capex and opex. For opex, we have included an adjustment within CEO and Group Management to reflect the cost increase. Within capex, the employer national insurance contribution increase impacts all unit costs, with a total forecasted impact of £8.5m over RIIO-GT3. For practicality in including this cost at a late stage in the RIIO-GT3 submission process, we have reflected the impact through a reduction in capex OE challenge.
- Table 10.10 reflects the adjusted OE index to account for the autumn budget increase in employers NIC across capex regulatory category, leading to an overall reduction of £8.5m in OE across RIIO-GT3 to compensate for the increase cost. Figure 10.10 shows the original OE index with an annual 0.5% OE challenge and the revised OE index inclusive of the Employers NIC adjustment.

	2027	2028	2029	2030	2031	Total
Totex OE at 0.5% (£m)	4	8	13	15	18	58
Totex OE at 0.5% with Employers NIC adjustment (£m)	2	7	11	13	16	50
Capex OE at 0.5% (£m)	2	5	7	8	10	33
Capex OE at 0.5% with Employers NIC adjustment (£m)	1	3	6	7	8	24

**Figure 10.10:** Budget impact of Employers NIC, reflected in OE challenge

Our proposal for OE within our business plan starts from the first year of RIIO-GT3. RIIO-T2 productivity has outturned significantly lower than RIIO-T2 OE targets and productivity forecasts for the remainder of RIIO-T2 do not show any significant improvement. Starting a RIIO-GT3 OE challenge from any earlier than 2026/27 would further exacerbate the underfunding observed in RIIO-T2 through double counting OE from both price controls.

#### RIIO-3 Profile and comparison to historic data

Analysis of RIIO-GT3 profile and comparison to historic data is not relevant to RPE and OE data.

#### Justification for outliers

No outliers have been identified.

### Forecast sensitivity

The RPE forecast is highly sensitive to and impacted by market forces such as supply and demand factors and global stability. This highlights the importance of a robust RPE framework.

### Interactions with governmental policy

The wedge between CPIH and RPE indices are impacted by economy wide factors and affected by Government monetary and fiscal policy.

Whether an OE target can be achieved is dependent upon productivity growth in the wider economy which is impacted by Government monetary and fiscal policy.

### Benchmarking activities

NGT in conjunction with the Energy Network Association (ENA) and Gas Distribution Networks commissioned professional service firms to undertake an assessment of RPEs and OE. ██████████ and ██████████ performed an assessment of OE and RPEs respectively. Further details can be found in the respective reports

NGT\_C17 ██████████ Ongoing Efficiency for Gas Networks at RIIO-3 and NGT\_C18 Economic Insight Further Evidence on Ongoing Efficiency for Gas Networks at RIIO-3 and NGT\_C14 ██████████ Potential Improvements to RPE framework at RIIO-3 and within the NGT\_A12 Cost Assessment and Benchmarking Approach RIIO\_GT3 annex. The reports include performance in RIIO-T2 and proposals and recommendations for the RIIO-GT3 framework.

### BPDT references

The CPIH forecast input by Ofgem in Table 1.5 inform the CPIH inflation forecast. Tables 5.16a and 5.16b inform the weighting for non-variant allowed other capex.

### Apportionment

N/a

## Section 11 – Memo Tabs

### 11.1a FES – Final Submission

#### **Commentary**

Table 11.1a sets out the changes made from Future Energy Scenarios (FES) 2024 to show the 1 in 20 peak demand used in our plan.

#### Assumptions

We have used FES, GDN and NGT source data in this table and assumed all sources to be reliable and correct.

For the zonal 1 in 20 peak demand days, in rows 24-30 inclusive, the data is as follows:

- **Columns G-K inclusive**  
HT undiversified peak GDN offtake demand with peak power station and industrial demand (defined as 90% of baseline obligation).
- **Columns L-P inclusive**  
The highest value per year of HT undiversified peak GDN offtake demand, CF undiversified peak GDN offtake demand or GDN Section H forecast demand with peak power station and industrial demand.
- **Columns Q-U inclusive**  
CF undiversified peak GDN offtake demand with peak power station and industrial demand (defined as 90% of baseline obligation).
- **Columns V-Z inclusive**  
As per columns L-P, the highest value per year of HT undiversified peak GDN offtake demand, CF undiversified peak GDN offtake demand or GDN Section H forecast demand with peak power station and industrial demand.

#### RIO-3 Profile and comparison to historic data

The data table is prepared based on the latest FES 2024 and other source data sets. In the July submission of this table, we used FES 2023 data and customised the table to display only the categories we were amending. In this submission we have filled out all applicable categories and added in six rows to share the 1 in 20 peak demands in each ANCAR zone.

In the July submission supplies from Continental Europe and Shale were reduced from the published levels in the 2023 FES. The change reflected the actual flows seen for those last 12 months and the current government policy. The shortfall was rebalanced with additional supplies from Norway and LNG. These changes have now been reflected in the new FES 2024 pathways meaning there is no need for similar adjustments for FES 2024.

#### Justification for outliers

Zonal 1 in 20 peak demands do not sum to the national 1 in 20 peak demand.

This is because the national peak demand is a diversified peak whereas for the individual zones we have used the highest of the zone's undiversified Holistic Transition peak value, Counterfactual peak value, or the GDNs' Section H forecast. This is so we can ensure compliance with the GDNs' 1 in 20 peak demand.



Forecast sensitivity.

Supply sensitivities are considered in zonal assessments by flexing the generic imports row between LNG and continental Europe supplies.

Interactions with governmental policy

N/a

Benchmarking activities

N/a

BPDT references

N/a

Apportionment

N/a

**11.1 b FES – March Submission**

<b>Commentary</b>
<p>Table 11.1b is only required to be completed for the March 2025 submission of the BPDT. Therefore, no inputs are included within this table for the December submission.</p> <p>The FES 2023 Falling Short Scenario has been used for our cost benefit analysis (CBA) due to time constraints to submit in December 2024. This scenario was selected as it provides the worst-case demand forecast. There is progress on decarbonisation compared to today, however it is slower than in the other scenarios and fails to meet the UK Net Zero target by 2050. For three zones (████████████████████) we have done sensitivity analysis using the Leading the Way scenario.</p> <p>We do not expect there to be any material difference to our investment decisions for the business plan update in March 2025 as there is not a significant difference between the FES Leading the Way and Falling Short scenarios and the FES 2024 Holistic and Counterfactual scenarios, respectively.</p> <p>As a prudent operator, the system should be planned for the most challenging demand scenario to ensure we remain compliant with our licence.</p>

## 11.2 Data and Digitalisation

Commentary	
<p><u>Assumptions</u></p> <p>Data and digitalisation costs includes investment expenditure over RIIO- GT3.</p> <p>We aware that the definitions provided within the RIIO-GT3 Gas Transmission Price Control – BPDT Guidance are open to interpretation and so have categorised RIIO- GT3 IT Project Investments into the Data and Digitalisation descriptions set out in Table 11.2.1.</p>	
Regulatory Category	Description
Digital Infrastructure	Asset health refresh / upgrade of existing infrastructure (Protect)
Digital Process	Enhancement / Optimisation of existing processes/ systems (grow & innovate)
Digital platforms	Investments for platforms for external users/ customers (more interoperable)
Digitising field works	Investments to improve the operational safety and compliance – both infrastructure and process side, systems to improve field work safety and field efficiency
Network Monitoring	New or improved data capture mechanisms
Other data best practice investments	Not part of other categories or an asset health replacement with minimal capability enhancement
<p><b>Table 11.2.1</b> : Categorisation of data and digitalisation costs</p>	
<p><u>RIIO-3 Profile and comparison to historic data</u></p> <p>All IT Investments in our business plan are aligned to our Digitalisation Strategy published in March 2024, of which 67% (RIIO-T2: 83%) relate to asset health and compliance work for assets which are approaching the end of their supported life, ensuring we operate secure and compliant systems in line with evolving legislation and industry codes.</p> <p>The profile reflects IT costs driven by security of supply needs and ageing asset replacement. Operation as a stand-alone organisation has led to a number of systems requiring upgrades and enhancements, with the majority of projects commencing at the beginning of RIIO-GT3.</p> <p>Comparison between RIIO-GT3 and RIIO-T2 data is not relevant for this table as only RIIO-GT3 data is populated.</p>	
<p><u>Justification for outliers</u></p> <p>Programme testing and implementation costs are incurred during the initial stages of the project and resources required are higher for an average of 18 to 24 months post project commencement resulting in a reduction in cost profile from 2028/29.</p>	
<p><u>Forecast sensitivity</u></p> <p>IT costs are based on a project by project assessment and so are not subject to significant sensitivities.</p>	

Interactions with governmental policy

N/a

Benchmarking activities

NGT engaged an external consultant (██████████) to benchmark the IT Project costings proposed for RIIO-GT3. ██████████ has investigated scope, reviewed cost assumptions, and have provided benchmarking guidance. All, except for 6 projects, fell within the benchmarking range and are assessed as high cost confidence within our internal Scope Volume and Cost standard (SVC) parameters. Each of the deviations has clear justification based on evidence such as supplier quotes or similar recent project cost profiles and score medium under our SVC assessment. Further details on ██████████ benchmarking can be found in the ██████████ benchmarking report (NGT\_C01\_██████████\_Review\_of\_IT\_Costs\_and\_Benchmarking\_of\_comparable\_costs).

BPDT references

N/a

Apportionment

Out of 89 IT investments in RIIO- GT3, 62 investments have been assumed to fall under Data and Digitalisation Categories. The TO and SO split for each investment is:

- 12 - 100% Transmission Owner
- 17 -100% System Operator
- 28 - 80% Transmission Owner and 20 % System Operator
- 2 - 80% System Operator and 20% Transmission Ownerr
- 2 -50- 50 split between Transmission Owner and System Operator
- 1 - 40% Transmission Owner and 60% under System Operator

**11.3 Vehicles and Transport (Non-op)**

<b>Commentary</b>
<p><u>Assumptions</u></p> <p>As per the BPDT guidance the volume and cost tables relate to new and replacement wheeled vehicles in RIIO-T2 and RIIO-GT3.</p> <p>This data was not collected for 2021/22 and therefore nil has been input for this year.</p> <p>New vehicles account for ■■■ of the total with the remaining ■■■ being replacement vehicles.</p> <p>Replacement vehicles have been calculated based on 5 yearly replacement cycles on a projected RIIO-T2 fleet size.</p> <p>New vehicles have been assumed for new starters per the NGT_A13_Workforce_and_Supply_Chain_Resilience_Strategy_RIIO_GT3 that would be eligible for a new vehicle. These have been costed based on latest average cost per vehicle type, with vehicle types listed in the volume split tab.</p> <p><u>RIIO-3 Profile and comparison to historic data</u></p> <p>The future purchasing plan has been based on the current fleet size incorporating 5 yearly replacement cycles and new vehicles assumed for new starters/roles outlined in the NGT_A13_Workforce_and_Supply_Chain_Resilience_Strategy_RIIO_GT3 annex.</p> <p>The RIIO-GT3 cost profile increases in line with the onboarding of additional staff in our operations function aligning with the planned rise in operational workload. From 2023/24 to 2030/31, our business plan shows a 76% increase in our operations function FTEs to deliver increased workload across the gas NTS and a 38% increase in fleet size. Once the initial expansion of the fleet is in place, costs are maintained at fleet replacement levels.</p> <p><u>Justification for outliers</u></p> <p>The phasing of new and replacement vehicles displays no clear outliers. There are no forecast purchases in 2030/31 as we have based the profile on a 5-year replacement cycle for current fleet and then new vehicles on the strategic workforce plan (NGT_A13_Workforce_and_Supply_Chain_Resilience_Strategy_RIIO_GT3).</p> <p>The calculation for replacements is based on current vehicle age and, given the age of the fleet, indicates we need to replace in the earlier years of RIIO-GT3. Additionally for new vehicles there are no new recruits in the strategic workforce plan for 2030/31 (apart from apprentices). The plan is to recruit at the earliest opportunity in RIIO-GT3 and therefore the vehicle purchasing will occur in the early years of RIIO-GT3. We have also forecast no spend for the final year to protect us against any unforeseen supplier delays. Within RIIO-T2 the impact of COVID greatly halted our vehicle replacement program.</p> <p><u>Forecast sensitivity</u></p> <p>The main threats that could prevent our forecast purchasing volumes to be met are the occurrence of unforeseen events, such as the COVID pandemic. An event of this nature would impact world-wide supply chains and likely prevent us from being able to deliver to our forecast plan.</p>

Another factor is that under the zero-emission vehicle (ZEV) mandate, all vehicle manufacturers must ensure that 70% of new vans sold in Great Britain will need to be zero emission by 2030. This will impact year on year how many ICE vehicles manufacturers are able to sell to us. Additionally, should the government make changes to this law, this would directly impact what vehicles we can and cannot purchase. Should we fall short of our vehicle purchasing plan, the biggest impact is likely to be an increase in our vehicle maintenance costs as the existing fleet will have to be utilised for longer than desired. Additionally, hire vehicle costs will rise which will impact our ability to deliver work efficiently.

Interactions with governmental policy

Costs and volumes may be influenced by government policy associated with ICE vehicles with conversion to alternative fuels. Under the zero-emission vehicle mandate, all vehicle manufacturers must ensure that 70% of new vans sold in Great Britain will need to be zero. As stated in the previous section, this will impact year on year how many ICE vehicles manufacturers are able to sell to us. Additionally, should the government make changes to this law this would directly impact what vehicles we can and cannot purchase.

There are significant practical implications associated with converting and operating a 100% EV fleet, due to range limitations of EV vehicles impacting operations and safety.

[REDACTED]

BPDT references

N/a

Apportionment

Volumes and £m are apportioned against vehicle categories based on the size and fuel type of the vehicle.

## 11.4 Vehicles and Transport (CAI)

### Commentary

CAI costs are based on cumulative fleet volumes, current projected run rates of costs for maintenance, fuel and vehicle hire.

A flat average cost per annum has been assumed in Table 11.4. Actual year to year phasing will vary based on purchasing lead times for replacement/new vehicles and pace of recruitment for new starters.

Total cost is based on fleet size multiplied by a combined CAI cost per annum of [REDACTED] per vehicle, which includes ([REDACTED]) reduction per vehicle of targeted efficiency.

#### RIIO-3 Profile and comparison to historic data

Approximately [REDACTED] of the cost per vehicle per annum is made up of maintenance costs with the remainder for fuel and hire costs

Hire costs cover vehicle hire where vehicles are unavailable due to undergoing repairs/maintenance, being replaced or required for a new starter for an interim period due to fleet purchase lead times.

The RIIO-GT3 fleet size increases in line with the onboarding of additional staff in our operations function aligning with the planned rise in operational workload. The increase in CAI costs is aligned to the projected increase in fleet size and higher run rate of costs projected for 2024/25 and 2025/26.

#### Justification for outliers

The phasing of new and replacement vehicles displays no clear outliers. There are no forecast purchases in 2030/31 as we have based the profile on a 5-year replacement cycle for current fleet and then new vehicles on the strategic workforce plan (NGT\_A13\_Workforce\_and\_Supply\_Chain\_Resilience\_Strategy\_RIIO\_GT3).

The calculation for replacements is based on current vehicle age and, given the age of the fleet, indicates we need to replace in the earlier years of RIIO-GT3. Additionally for new vehicles there are no new recruits in the strategic workforce plan for 2030/31 (apart from apprentices). The plan is to recruit at the earliest opportunity in RIIO-GT3 and therefore the vehicle purchasing will occur in the early years of RIIO-GT3. We have also forecast no spend for the final year to protect us against any unforeseen supplier delays. Within RIIO-T2 the impact of COVID greatly halted our vehicle replacement program.

#### Forecast sensitivity

The main threats that could prevent our forecast purchasing volumes to be met are the occurrence of unforeseen events, such as the COVID pandemic. An event of this nature would impact world-wide supply chains and likely prevent us from being able to deliver to our forecast plan.

Another factor is that under the zero-emission vehicle (ZEV) mandate, all vehicle manufacturers must ensure that 70% of new vans sold in Great Britain will need to be zero emission by 2030. This will impact year on year how many ICE vehicles manufacturers are able to sell to us. Additionally, should the government make changes to this law, this would directly impact what vehicles we can and cannot purchase. Should we fall short of our vehicle purchasing plan, the biggest impact is likely to be an increase in our vehicle maintenance costs as the existing fleet will have to be utilised for longer

than desired. Additionally, hire vehicle costs will rise which will impact our ability to deliver work efficiently.

Interactions with governmental policy

Costs and volumes may be influenced by government policy associated with ICE vehicles with conversion to alternative fuels. Under the zero-emission vehicle mandate, all vehicle manufacturers must ensure that 70% of new vans sold in Great Britain will need to be zero. As stated in the previous section, this will impact year on year how many ICE vehicles manufacturers are able to sell to us. Additionally, should the government make changes to this law this would directly impact what vehicles we can and cannot purchase.

There are significant practical implications associated with converting and operating a 100% EV fleet, due to range limitations of EV vehicles impacting operations and safety.

[REDACTED]

BPDT references

N/a

Apportionment

Volumes and £m are apportioned against vehicle categories based on the size and fuel type of the vehicle.



## 11.5 a Climate Resilience

### **Commentary**

#### Assumptions

The spend in this table is made up of investments within Asset Health and Projects where the primary driver is Climate resilience.

The full funding request of the investments has been included in this table apart from investment [REDACTED], where only [REDACTED] of the total [REDACTED] investment has been included. The [REDACTED] is the additional cost to install dehumidifiers to the air intake systems to mitigate the risks posed by the Increased Humidity climate hazard.

#### RIIO-3 Profile and comparison to historic data

This is a new area of investment as our RIIO-T2 plan did not include any unique interventions addressing Climate Change Adaptation. Therefore, Climate Change Adaptation and Climate Resilience Strategy costs across our plan, which relate to baseline, cannot be compared to historical data.

#### Justification for outliers

N/a

#### Forecast sensitivity

N/a

#### Interactions with governmental policy

N/a

[REDACTED]

#### BPDT references

N/a

#### Apportionment

C-004 Air Intake replacement only includes [REDACTED] of the total [REDACTED] investment as detailed in the assumptions above.

## 11.5 b Network Resilience

### Commentary

#### Assumptions

Investments within our plan have a unique identifier. Table 11.5b is populated by assigning these codes to the four categories present in the table:

- **Network Resilience to align with the Energy Security Steering Committee recommendations: Changes to the Transmission Planning Code**

This is linked to line items related to the purchase of capital spares, as well as lines relating to [REDACTED].

- **Network Resilience to align with the Energy Security Steering Committee commendations: Critical National Infrastructure Ratings**

Inputs are linked to line items related to physical security solutions, which are driven by CNI classification.

- **No items have been linked to Network Resilience to align with the Energy Security Steering Committee commendations: Single Point of Failure**

We are expecting to submit a request for SPOF Uncertainty Mechanism funding in the RIIO-GT3 Period. However, the projects are not currently sufficiently developed to include within the data tables.

- **Network Resilience to align with the Energy Security Steering Committee commendations: Other**

This is linked to Compressor Re-wheels as per the instructions for completion for Table 11.5b provided within the RIIO-GT3 Gas Transmission Price Control – BPDT Guidance.

Not every single line in the RIIO-GT3 plan is driven by primary need to contribute to one of these categories. Spend is allocated based on the investment forecast only for RIIO-GT3 funded works from both baseline and uncertainty

Mechanism work in the RIIO-GT3 plan has been phased based on the type of investment it is and NGT's experience

of phasing the money with the year before being a smaller spend associated with FEED, the bulk of the spend in the delivery year, with the year after delivery being a small closeout spend.

For spares type work, all the spend is associated with a single year.

The template does not contain a FY26. Any works associated with delivery in FY27, have had any pre RIIO-GT3 expenditure has been included in FY27. Any phased spend after

FY31 has been kept in its expected year.

#### RIIO-3 Profile and comparison to historic data

The spend profile is based on the deliverable plan with assumptions that a proportion

of the project cost will happen the year before the delivery of the works representing design, scoping, mobilisation, and a further, smaller proportion will happen the year after the delivery to represent project closure. Each individual work line has been assessed for deliverability in turn based on outages.

No network resilience data has been requested or provided through the RIIO-T2 reporting process and therefore there is no historical data against which comparisons can be made. The investments included in the plan are driven by a range of drivers and justification and appear in a range of different EJPs and different IDPs. For instance, [REDACTED], [REDACTED], [REDACTED], supports the availability of a key compressor unit in a highly constrained part of the network. This helps by reducing any down time and providing a shorter return to service time in the event of a minor or major failure. This is true for all spare type investments. The [REDACTED] type investments are about finding a viable alternative for the remaining derogated [REDACTED] that are subject to MCPD legislation. These units would have an annual run hour limit of [REDACTED], expecting to provide back up or only run for a small number of supply demand patterns. However, there are a number of scenarios where if the lead unit is unavailable, then the backup units would have to run for extended periods and potentially exceed this limit. [REDACTED] may allow us to withdraw the units from the derogation, mitigating against these low probability high impact events. In the RIIO-GT3 period, there are also several proposed compressor unit re-wheels. These can have a range of benefits, such as increasing zonal availability by making the more efficient units able to cover the majority of the duty. This also has the benefit of increasing resilience for some flow patterns.

Justification for outliers

N/a

Forecast sensitivity

The input data is based on the expected delivered profile for interventions that are occurring. The profiling of projects is built based on an assumed proportion. Project delivery and actual spend will differ as the idealised view of proportionality will differ when individual projects are begun.

Interactions with governmental policy

This table represents works planned in the RIIO-GT3 period that align with recommendations of the Energy Security Select Committee. It does not include emission reduction work in line with IED legislation.

Benchmarking activities

N/a

BPDT references

N/a

Apportionment

N/a

## 11.6 Uncertainty Mechanisms

### Commentary

#### Assumptions

Expenditure currently assessed to be assigned to an Uncertainty Mechanism (UM) reopener is included within Table 11.6. Volume driver investments are captured within the Projects and Asset Health tables.

UMs have been proposed where there is significant uncertainty in the plan, to protect customers from unknowns as the energy landscape changes. The costs in this table are indicative and based on the best information that was available when the plan was locked down. These indicative values have been included in our deliverability and financeability assessments.

#### RIIO-3 Profile and comparison to historic data

Data is only required for RIIO-GT3 therefore comparison to RIIO-T2 is not applicable to Table 11.6.

The reopener areas include Network Decarbonisation, Network Capability, uncertain costs, Single Points of Failure (SPOF), Gas strategy planning and asset health. More detail on each is provided in the NGT\_A01\_Asset\_Management\_Plan\_(AMP)\_RIIO\_GT3 annex

The reopener for IT relates to the following investments: ██████████ due to the uncertainty around the rate of performance decline and cost increase due to ageing software technology and the need to carry out a comprehensive assessment of drivers for change, Providing our Field Force with XR Capabilities due to uncertainties around the readiness of new technologies for augmented reality and wearable sensors, Contact Management: Process Automations & Enhancements due to ongoing development of business requirements. These IT projects are independent of others and so the delivery implications of seeking later project approval are minimal.

Since becoming a separate company, NGT has continued to operate most of its office-based functions from National Grid House (NGH) in ██████████. With an upcoming lease expiry during RIIO-GT3, we are embarking on a corporate office relocation which is essential to ensure our physical security and presence aligns with our corporate identity and commitment to resilience, security and sustainability. A reopener of ██████████ is proposed in RIIO-GT3 for the relocation from NGH, phased across 2027/28 and 2028/29 to align with the expiration of the current lease. Given the current uncertainty of the outcome and associated cost, we consider that a re-opener uncertainty mechanism is the most appropriate regulatory treatment.

#### Justification for outliers

The expenditure categories are not directly comparable, covering different network activities and projects. Therefore, the concept of outliers is not applicable to Table 11.6.

#### Forecast sensitivity

Non-load investments are included in UMs either because they are waiting on specific information to support the proposal (e.g. completion of a technology trial or availability of greater cost evidence) or they require a change in forecast flows to confirm the need case (e.g. site reconfigurations).

Various options have been considered for NGH including staying at the current location, moving to a new location and leasing an existing property or moving to a new location and building a new property. It is not possible to adapt the National Control Centre to Network and Information Systems requirements and there is a lack of certainty beyond the expiry of the existing lease, which both create unacceptable risk to the critical activities delivered from Warwick. As such, staying at the existing location is not considered viable and therefore the preferred option is to move to a new office and using a developer-led solution to build a new property with costs remaining subject to uncertainty until a solution is finalised.

#### Interactions with governmental policy

Cyber related investments are underpinned by Network and Information Systems regulations. Network decarbonisation projects are driven by the government commitment to reach Net Zero.

#### Benchmarking activities

The non-load and IT UMs are a translation of the Asset Management Plan (AMP) where benchmarking has taken place against National Gas' Scope, Volume and Cost Data Confidence standard (SVC) and detail provided in the EJPs.

#### BPDT references

Table 11.6 is described by Ofgem as a memo table meaning that the data included within it is standalone and does not flow through to the Section 3 Totex tables or Capex Summary table as the instructions given in the BPDT Guidance Table 11.6 Instructions for Completion state "Costs included in this table as a re-opener should be excluded from the associated cost table".

Although the UMs are not included in the Totex Summary tables, the associated values are included in the Best View Scenario financeability assessment within the BPFM.

#### Apportionment

For IT UMs, each investment line is assigned a percentage allocating the amount between TO and SO. Out of the [REDACTED] investments included as a UM, [REDACTED] investments are [REDACTED] TO and the remaining investment is [REDACTED]. The investments have been extensively reviewed and analysed by the business owner to assess the allocation. This is the same approach for the IT project investments included in Table 6.7 and Table 6.8.



## Additional Commentary

<b>Table 1.4 ChangesLog</b>	
<p>The RIIO-GT3 Business Plan Data Table Guidance (para 1.10) requires that any issues or proposed changes identified to the BPDT should be communicated to Ofgem as soon as possible.</p> <p>NGT has identified several issues which have been communicated to Ofgem. In the initial stages of communication, Ofgem permitted that NGT make changes to the BPDT where issues were identified with the changes being noted in Table 1.4. The following changes have been made and documented in Table 1.4 in order that the BPDT completely and accurately reflects our business plan submission.</p>	
5.4 SO Direct Opex	Formula extended in row 26 to sum rows 18:25, previous 18:24
5.9 FTE	<p>Formula corrected in contractor and related party total to sum only input cells above:</p> <p>1) Contractor Total in row 122 changed from SUM of rows (84:88, 96:121) to rows (88:121)</p> <p>2) Related Party Total in row 159 changed from SUM of rows (121:125, 133:158) to rows (122:158)</p>
[REDACTED]	[REDACTED]
6.2 Projects	Additional 'Climate Change Adaptation' rows created by replacing unused 'Net Zero' rows I141:I195 and K141:K195 changed
6.3b Asset Health (2)	Memo - additional user input rows added where required as per guidance
[REDACTED]	[REDACTED]
6.1 Capex Summary	J37:J41 changed from 'Net Zero' to 'Climate Change Adaptation' to align with change to table 6.2 above
5.16a NISR Cyber (GTO)	S33 and T33 'Technology: Hardware Opex' totals referencing the wrong row. Updated to match row referenced in cols I:R
5.16b NISR Cyber (GSO)	S33 and T33 'Technology: Hardware Opex' totals referencing the wrong row. Updated to match row referenced in cols I:R
5.16a NISR Cyber (GTO)	Additional user input rows added
5.16b NISR Cyber (GSO)	Additional user input rows added
11.4 V&T (CAI)	<p>Formula in columns Y and AV which pick up RIIO-3 totals updated to pick up the correct fiscal years:</p> <ul style="list-style-type: none"> <li>* Col Y updated from N:R to R:V</li> <li>* Col AV updated from AL:AO to AO:AS</li> </ul>
11.3 V&T (Non-Op)	<p>Formula in columns Y and AV which pick up RIIO-3 totals updated to pick up the correct fiscal years:</p> <ul style="list-style-type: none"> <li>* Col Y updated from N:R to R:V</li> <li>* Col AV updated from AL:AO to AO:AS</li> </ul>







**Table 2.1 NARM Interface**

The Business Plan Data Table Commentary template issued by Ofgem does not provide for commentary on Table 2.1.

The current use of SACs (Secondary Asset Classes) in Table 2.1 has become outdated for National Gas NARM reporting in RIIO-GT3, as these categories no longer align effectively with the evolving asset management and reporting practices. To ensure greater accuracy and relevance, we recommend transitioning to Equipment Unit summaries, which provide a more granular and meaningful view of the data.

For Ofgem to perform a comparison with RIIO-T2 data, adjustments to the RIIO-GT3 SUMIF calculations are necessary within this table. Specifically, the final criteria in column J, where entries are filtered based on the presence of "NARM", should be removed. This modification will ensure all relevant data is captured and included in the comparison. Without this adjustment, the dataset remains incomplete, which could lead to inaccurate or inconsistent evaluations.

[REDACTED]