



## Efficient Enterprise Essentials [Apps]

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RIIO-GT3 NGT\_IJP06

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# Enterprise essentials applications investments

## 1 Summary table

<b>Name of project</b>	Enterprise Essentials - Applications		
<b>Scheme reference</b>	TBD		
<b>Primary investment driver</b>	Deliver compliance with IT asset health policy		
<b>Project initiation year</b>	2026		
<b>Project close out year</b>	2031		
<b>Total installed cost estimate (£)</b>	£74.424m		
<b>Historic funding interactions</b>	None		
<b>Project spend to date</b>	£0		
<b>Current project stage gate</b>	Not started		
<b>Reporting table ref</b>	6.11, 11.2		
<b>Outputs</b>	IT deliverables as detailed in the investment particulars		
<b>Spend apportionment</b>	<b>T1</b>	<b>T2</b>	<b>GT3</b>
	£0	£0	£74.424m

## 2 Executive summary

This Investment Justification Paper sets out our planned investments for corporate back-office applications. These are systems used across the business (e.g. HR) or by specialist back-office functions (e.g. Legal). These systems are critical to the operation of the business and deliver indirect benefits to the front line business functions and external parties.

The investments in this paper ensure that our back-office business functions continue to be supported by IT systems, stay compliant with evolving legislation and use enhancements to deliver efficiencies and create capacity required for the coming period. The investments address the following key issues and opportunities which trigger action:

- Ensure compliance with policy (e.g. IT asset health), regulation and legislation
  - IT Asset health – systems reach end-of-life and are unsupported so must be upgraded to the next version or an alternative product. For many of these systems, optimisation of the system fit for NGT following separation from National Grid is the primary driver and a break point in service contract or end-of-life date determines timing.
  - Compliance – evolving regulation and legislation requires updates to our systems throughout the RII0-GT3 period.
  - Security – threats are constantly evolving and our systems need to be kept up to date with security updates.
- Business requirements which enable the delivery of business outcomes
  - Capability – business requirements for new functionality critical to delivery of business outcomes. Enhancements include support for more data, better decision support tools or automation of processes for efficiency. A key driver in this area is the need for more process capacity to enable the growth in the business plan, especially the asset management plan (AMP).

This document should be read in conjunction with the IT & Telecoms Strategy<sup>1</sup> where triggers are described in detail in section 3.3.3.

Investments in this paper support two Ofgem key outcomes: Secure and Resilient Supplies (9 investments, Totex ██████████) and System Efficiency and Long Term Value for Money (7 investments, Totex ██████████). The investments are listed below, aligned to the primary outcome and the trigger for action. All investments in this paper are within our baseline plan.

Ref	Investment Line	Trigger	Totex £m	Primary Outcome	Cost sub-category
IT 081	Finance Modernisation	Deliver compliance	██████	Secure and resilient	Digital processes
IT 082	Process Automation	Deliver outcomes	██████	System efficiency	Digital processes
IT 083	Treasury Management System	Deliver compliance	██████	Secure and resilient	Digital processes
IT 084	S2P: Existing System Efficiencies	Deliver compliance	██████	System efficiency	Digital processes
IT 085	S2C: New Digital Capability	Deliver outcomes	██████	System efficiency	Digital processes
IT 086	Procurement Policy IT Compliance	Deliver compliance	██████	Secure and resilient	Digital processes
IT 087	Expense Management	Deliver compliance	██████	System efficiency	Digital processes
IT 095	People Systems including People Systems AI & HR Policy Compliance	Deliver compliance	██████	System efficiency	Digital processes
IT 098	Digital Learning & Competence	Deliver compliance	██████	System efficiency	Digital processes
IT 088	Intranet	Deliver compliance	██████	System efficiency	Digital platforms
IT 089	Internal channels	Deliver compliance	██████	Secure and resilient	Digital platforms
IT 090	Nationalgas.com	Deliver compliance	██████	Secure and resilient	Digital platforms
IT 094	Safety incident management and SHE related systems	Deliver compliance	██████	Secure and resilient	Digital processes
IT 100	Carbon Accounting	Deliver compliance	██████	Secure and resilient	Digital processes
IT 092	Legal support systems	Deliver compliance	██████	Secure and resilient	Digital processes
IT 093	Governance Risk and Controls	Deliver compliance	██████	Secure and resilient	Digital processes
	<b>Total</b>		██████		

Scope and volumes for each investment have undergone internal and external assurance. Costs have been developed 'bottom-up' using detailed resource plans and have been assured through benchmarking against industry comparators by Gartner, Inc.<sup>2</sup>

Options analysis has been carried out for each investment or bundled group. This has considered various factors including cost, functionality, risk, alignment with IT architecture / strategy, business change impact, and the resulting ability to support the business and regulatory outcomes. Comparative analysis of these factors has prioritised achievement of outcomes in the most cost effective way.

<sup>1</sup> NGT\_A11\_IT\_and\_Telecoms Strategy

<sup>2</sup> NGT\_C01\_Gartner Review of IT Costs and Benchmarking of comparable costs

## 3 Introduction

### 3.1 Scope of this paper

This Investment Justification Paper (IJP) covers back office business systems (applications). These are systems that provide a particular area of support that is used by many or all business functions. Examples are the finance and human resources (HR) systems used by many users across most business functions. These systems deliver benefits to consumers and stakeholders indirectly, by enabling the background capabilities which underpin the front office functions.

Back-office functions are varied but all use IT to enable their capabilities. This document covers IT investments to support the following back-office functions:

- Finance
- Procurement
- Human resources / people
- Communications / corporate affairs
- Safety, health and environment
- Carbon accounting
- Legal
- Risk and controls

Delivery of investments will variously range over the whole of the 5-year period, as detailed in the cost profile and project plan for each investment.

### 3.2 How this document is structured

Investments are described either singly or, where solutions are typically integrated, as a group. Each investment has been developed through an iterative process of engagement with users, solution scoping and options analysis, and benefits confirmation. We have followed our SVC standard (Cost, scope and volume data confidence standard – Non-AMP (IT)) in this process, descopeing any investments that fell short of this standard. For more detail on how the scope, volume and cost of investments were developed, see the IT & Telecoms Strategy, section 3.4.

Each investment or group of investments has the following sections which provide context, analysis, proposed way forward and spend profile:

- **Background and scope summary** – This section summarises the context of the system, the investments proposed to address issues and the business and regulatory outcomes that will be enabled. The trigger for action is made clear and the IT deliverables described. A problem / opportunity statement is provided, detailing the problems with the current systems and the implications of not investing.
- **Optioneering** – This section contains a description of the options considered to address the problems described above. It should be noted that definition of specific products is not part of the investment scope and options for technology / supplier selection will be carried out as part of the project lifecycle. IT products evolve quickly and this enables the best solution to be selected nearer the time. Option analysis has compared various factors including cost, functionality, risk, alignment with IT architecture / strategy, business change impact, and the resulting ability to support the business and regulatory outcomes. Comparative analysis of these factors has enabled us to prioritise achievement of outcomes in the most cost-effective way.
- **Preferred option** – The preferred option is identified, with a summary of the reasoning behind its selection and benefits.
- **Cost and deliverability** – The investment spend profile tables show the Capex and Opex (if applicable) profile for each investment over the five-year RIIO-GT3 period. Note that Opex can be either early work that is not capitalisable or a net increase in run the business (RTB) cost e.g. from new software licences. Increased RTB Opex is captured here, rather than in the RTB business plan so that it is clear what is changing.

Costs have been developed from bottom-up analysis and informed by historic costs, supplier discussions, quotations and tenders and reach the standard set out in our policy: SVC Data Confidence Standard v1 Non-AMP (IT). These tables also give a comparison benchmark range provided by Gartner, Inc. who have carried out a detailed examination of the scope and proposed cost and used global comparators to give an upper and lower range. See the IT & Telecoms Strategy, section 3.4.3 for more detail on the iterative process of alignment with benchmarks. The Gartner IT benchmarking consultant's report is provided separately.

A high level project plan is provided that shows activity timing by year.

This section references the IT & Telecoms Strategy document for details of cost drivers and for deliverability as these aspects are common to all investments.

## 4 Finance capability (IT 081, 082, 083)

### 4.1 Background and scope summary

Problem / Trigger	Strategy	Business Outcome	Primary Regulatory Outcome	Cost sub-category
<ul style="list-style-type: none"> <li>End-of-life system in 2026</li> <li>Complex multinational system inherited from National Grid</li> </ul>	Replace and simplify	Secure continuation of service. Efficient management of Finance functions to deliver sustainable value for customers and stakeholders	Secure and resilient supplies	Digital processes

This investment is to replace our Finance systems as they will reach end of life (i.e. unsupported) in 2026. Our Finance systems enable our key Finance processes: General Ledger accounting, Order to Cash, Purchase to Pay, Cash Management, accounting for Fixed Assets, Projects, and Inventory. They also support Treasury Management, Financial Consolidation and Reporting.

There are three investments in this area, as follows:

Platform	Capability	Investment	£m
Finance	Finance Service & Management	IT 081 Finance Modernisation	█
		IT 082 Process Automation	█
		IT 083 Treasury Management System	█
		<b>Total</b>	█

In RIIO-GT3, the current Finance system reaches end of support and so replacement is triggered by our IT asset health policy. This presents an opportunity to modernise our existing finance systems with properly integrated applications that will deliver more efficient process delivery and reduce manual effort. In line with our IT architecture strategy, we will move our current on-premise system to a Cloud solution, and we will simplify them so that they are focused on the specific needs and requirements of National Gas rather than those of the multinational National Grid. Beside these new SaaS services, we will enhance connected applications to address integration and data issues, removing duplication of effort and data discrepancies across multiple applications.

This will enable National Gas to deliver efficient and effective finance processes giving National Gas the best possible basis for decision making. Our Finance applications will be designed using simple, standard processes with controls that are meaningful and automated.

This will reduce the risk of operational failure; help us to stay compliant with legislation and regulations and protect our systems and data from the increasing cyber threat. It will also open the way forward for the Finance team members to develop their capability to support new product and service types as the industry moves towards net zero.

Consumers will benefit as these efficiencies will contribute to the delivery of our continuous improvement efficiency challenges.

#### Problem / opportunity statement

In RIIO-T2 National Gas aligned with National Grid's strategy to maintain and evolve the Finance systems by keeping the estate 'evergreen', to preserve the value of the investment already made – preventing the platform from becoming outdated and inefficient. During the RIIO-GT3 period multiple asset health updates from our vendor (SAP) would be required on our existing 'on premise' S/4 Hana application to keep it under maintenance and support, which would be costly and time consuming with a limitation on new features implemented due to the technical nature of the upgrades.

Without investment in our Finance systems, we would find ourselves in the position of having legacy systems which are not fit for purpose, out of support and maintenance with our current vendor posing a risk of non-compliance for our Finance processes.

The following three highly integrated investments are required to address this challenge.

#### IT 081 Finance Modernisation

MyFinance is a business-critical suite of Finance applications (provided by SAP) and connected applications, which support our key Finance processes: Accounts Receivable and Payable; Cash Management; accounting for Fixed Assets, Projects, Inventory, General Ledger accounting, Treasury Management, Financial Consolidation and Reporting. The MyFinance applications inherited from National Grid are based on an 'on premise' version of SAP S/4 Hana with connected applications. There are problems that will need to be addressed during the RIIO-GT3 period.

- Asset health
  - Our SAP on-premise applications will be out of maintenance support and will require upgrades in December 2026. Asset health updates including upgrades to our on-premises applications are costly and time consuming with limited new features implemented due to the technical nature of the upgrades.
  - License costs will significantly increase in September 2026 when our current contract expires due to SAP's strategy to raise on-premise support costs to drive customers to Cloud solutions. SAP increased the cost of support for on-premise customers by 5% for 2024 and this is expected to increase year on year.
  - SAP have stated that their newest innovations and capabilities will only be delivered to SAP Cloud customers.
- Capabilities supported
  - The finance systems inherited from National Grid are not fit for purpose for National Gas, being overly complex and having been developed to meet the requirements of multiple business units across the USA and UK.
  - There are issues with integration across the suite of finance applications, requiring manual effort to circumvent.
  - There is no integration with our asset management applications and so asset volumes are unavailable in our finance system and conversely asset financials are unavailable in our asset management applications.
  - There are business pain points due to the complexity of the application inherited from National Grid with workarounds currently in place to mitigate existing issues.
  - Analytics and reporting are difficult and as a result the teams continue to develop analytics and reporting offline.

In RIIO-GT3 we will transform our Finance systems by moving services currently on-premise to the Cloud, integrate our finance systems with our asset management applications, simplify processes, remove workarounds, and enable application flexibility and scalability to support new products and changing business needs.

This will enable National Gas to:

- Properly integrate applications to deliver more efficient process delivery and reduce manual handoffs.
- Provide asset volumes in our Finance applications and asset financials in our asset management applications.
- Remove the need to manage critical processes offline.
- Simplify application processes - to increase efficiency and remove workarounds.
- Give the potential to support new product and service types.
- Optimise reporting and analytics to support performance enhancement and enable better data-based decisions and a better outcome for consumers.
- Reduce IT costs and facilitate upgrade paths after our current contract expires in September 2026.
- Enable system enhancements as part of the investment.

#### *IT 082 Process Automation*

Robotic Process Automation (RPA) software used for automation of repetitive tasks was introduced by National Grid in RIIO-T1 and RIIO-T2 when the UiPath product was implemented as the RPA technology platform. There are problems with the current use of this technology that will be addressed during the RIIO-GT3 period.

- Limited use of RPA by the National Gas Finance teams – used for a handful of processes to execute manual workarounds due to gaps in the current Finance applications and manual users' repetitive activities.
- Current use of our RPA tools does not justify the license and maintenance costs.

In RIIO-GT3 we will combine technologies to deliver tailored intelligent Finance transformation. We will move the current on-premise solution to the Cloud and augment it with additional capabilities such as Process/Data mining, Artificial Intelligence (AI) native to the platform, analytics, and back-end system integration. To support this will embed a team of RPA developers to develop, monitor and improve RPA processes throughout the RIIO-GT3 period following the transformation of our Finance systems in IT 081 Finance Modernisation.

This will enable National Gas to:

- Extend our capability to automate both simple repetitive and complex processes. A reduction in manual hand-offs and additional checks / assurance that is currently required will increase productivity freeing up time to focus on higher value work.
- Act upon insights generated through Process Mining to automate intelligent actions, combining RPA, AI & analytics, so that sustainable business value is delivered.
- Improve process controls with stability, quality, and accuracy.
- Provide process compliance, enhanced security, and traceability.
- Enable the Finance team members to support new product types through increased capacity.

### IT 083 Treasury Management System

Our current Treasury Management system (REVAL) automates the process of managing financial operations, using MyFinance integration to provide journals and foreign exchange (FX) rates to support General Ledger (GL), Accounts Receivable (AR) and Accounts Payable (AP). There are problems with this version that will be addressed during the RIIO-GT3 period.

- The system reaches end of contract in 2027.
- The system meets our requirements but is not fully integrated with our finance systems.

In RIIO-GT3 we will address this issue and evolve our treasury management capability. We will evaluate replacement of our existing REVAL application at the end of the current contract in December 2027 and replace or enhance the system. This will enable additional capability to:

- Automate data flows and reporting.
- Improve the overall accuracy of the cashflow forecast.
- Automate reporting driven by enriched master data.

## 4.2 Optioneering

The options considered combine the three investments into a bundle, as these are capabilities that are highly integrated. The options were selected to contrast the outcome of not investing with alternative ways of achieving the target outputs. These alternatives reflect two contrasting platforms, option A being continuing with SAP on their cloud platform and option B being a move to an alternative solution following market testing for the best fit for NGT.

The table below sets out the options considered for this capability.

Ref.	Option Description	Pros	Cons
DNI	Do Nothing – Remain with our existing MyFinance suite of applications.	<ul style="list-style-type: none"> <li>• No business change after a period of notable change due to divestment from National Grid</li> <li>• Minimal impact to business operations by continuing with the 'Status Quo'.</li> </ul>	<ul style="list-style-type: none"> <li>• Highest annual License and Maintenance costs for our on-premises applications when contract expires. Expected to triple as SAP drive customer to cloud products (SAP Rise).</li> <li>• High risk due to loss of support and maintenance from vendors</li> <li>• Inefficiencies in Finance processes may lead to poor decision making potentially resulting in higher consumer costs.</li> <li>• Costly asset health updates.</li> <li>• Inability for National Gas to manage potential new products that will support Net Zero targets and benefit the consumer.</li> <li>• No integration with our asset management systems.</li> <li>• Limited automation.</li> <li>• Business pain points persist.</li> </ul>
A	SAP Rise – move our SAP S/4 Hana on premise applications to SAP's cloud.  Complemented by new SaaS services and enhancement of other existing applications.	<ul style="list-style-type: none"> <li>• Employee productivity improvements.</li> <li>• Enhanced process controls</li> <li>• Improved reporting.</li> <li>• Automation and reduction of workload.</li> <li>• Reduction in asset health infrastructure refreshes, external support costs.</li> <li>• Lower business impact than a complete replacement.</li> <li>• Lower implementation risk</li> </ul>	<ul style="list-style-type: none"> <li>• Higher annual license and maintenance costs</li> <li>• High cost to implement.</li> <li>• May not be fit for purpose for an organisation the size of National Gas.</li> <li>• Migrating data from on-premise to the cloud can be complex.</li> <li>• Downtime and disruption which may impact the business operations.</li> <li>• Continued 'vendor lock in' with SAP.</li> </ul>



B	Replace with an alternative cloud Finance solution.  <b>PREFERRED</b>	<ul style="list-style-type: none"> <li>• Lowest ongoing annual license and maintenance costs.</li> <li>• Able to implement a new solution which is right sized for National Gas.</li> <li>• Employee productivity improvements.</li> <li>• Enhanced process controls</li> <li>• Improved reporting.</li> <li>• Automation and reduction of workload.</li> <li>• Reduction in asset health infrastructure refreshes, external support costs.</li> <li>• Supports strategy to move away from SAP</li> </ul>	<ul style="list-style-type: none"> <li>• High cost to implement.</li> <li>• Significant business change impact.</li> <li>• Migrating data from current MyFinance applications to a different cloud solution can be complex.</li> <li>• Downtime and disruption which may impact the business operations.</li> </ul>
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### 4.3 Preferred option

The recommended option is Option B, to replace the current MyFinance solution suite with an alternative cloud Finance solution (e.g. using Microsoft, Oracle, Infor, Sage, SAP Rise). If we were to remain with our current ‘on-premises’ SAP solution we expect our annual license and maintenance cost to double or triple due to SAP’s strategy to drive customers to the cloud and a reduction in the discount previously provided (currently 22%) as a business entity within a much larger National Grid organisation. In addition, we will need to continue to invest in costly asset health updates to remain supported and in maintenance whilst missing out on SAP’s newest innovations and capabilities because of SAP’s strategic approach that these will only be delivered in the SAP cloud.

By modernising our Finance systems, we will transition our systems from on-premises to the cloud (aligning with our IT strategy), introduce new SaaS services, and enhance our existing applications. This will support our objective to simplify our systems to meet National Gas’s particular requirements, reducing complexity and increasing efficiency.

This will be combined with emerging technologies (Process/Data mining, Artificial Intelligence (native to the products), analytics and back-end system API integration to deliver a tailored intelligent Finance solution.

As part of this replacement, we will continue with our treasury management system until contract end in December 2027 and carry out an evaluation on the best route forwards. Any replacement of our existing REVAL application we will be integrated with our new finance applications.

#### Consumer / stakeholder benefits

Investment is required to modernise our Finance systems to enable us to maintain system supportability (asset health), compliance with legislation / regulation, security and to deliver system efficiency and long-term value for money. This benefits consumers and network users through value for money and a secure and reliable system.

### 4.4 Cost and deliverability

The cost drivers for this investment are in common with other IT investments and are described in the IT & Telecoms Strategy document, section 3.4.3. Costs are for the full scope of deliverables as described above. Deliverability of this investment is in common with other IT investments and are described in the IT & Telecoms Strategy document, section 3.4.5.

The tables below show the spend profile for each investment, informed by reviews of historic costs and engagement with suppliers and vendors to provide indicative views.

IT 081 – Finance Modernisation							Gartner Benchmark Range		Gartner Rating
Investment (£m)	FY26/27	FY27/28	FY28/29	FY29/30	FY30/31	Totals	Low	High	
CAPEX	■	■	■	■	■	■	■	■	
OPEX	■	■	■	■	■	■	■	■	

IT 082 – Enhance Process Automation							Gartner Benchmark Range		Gartner Rating
Investment (£m)	FY26/27	FY27/28	FY28/29	FY29/30	FY30/31	Totals	Low	High	
CAPEX	■	■	■	■	■	■	■	■	
OPEX	■	■	■	■	■	■	■	■	



## Problem/ opportunity statement

The procurement and business spend capability is supported by siloed and fragmented IT systems, which currently creates many friction points and inefficiencies. This results in process delays, limits our ability to source timely, and reduces our ability to control our business costs. To achieve the demands of the RIIO-GT3 AMP and Supply Chain Resilience (SCR) plan, we need to address the problems detailed below.

### *IT 084 Procurement Source-to-Pay Consolidation and Efficiencies*

Source-to-Pay (S2P) procurement applications are used to ensure that our purchasing and operational finance strategies, cost management and payment obligations can be met. In RIIO-GT3 the Asset Management Plan (AMP) is planned to grow significantly and we need systems which enable us to execute faster and more efficiently than our current IT capability provides.

The S2P system design inherited from National Grid utilising SAP Ariba, Coupa and SAP S4 Hana is too complex for the size and requirements of National Gas. The design results in significant system duplication, process inefficiencies, poor user experience and data gaps through not having one single source of the truth.

Despite National Grid's RIIO-T2 objectives to continue to build on the digital procure to pay journey in Coupa, the way that Coupa is used alongside Ariba and SAP S4 limits the full potential benefits of the system.

The issues which need to be resolved during the RIIO-GT3 period to deliver the increased volume in the AMP are:

- The multiple procurement systems which share similar capability (Ariba, Coupa and SAP) results in a high level of application contract, licence, and maintenance costs compared with a less fragmented solution.
- The overly complex systems architecture between Ariba, Coupa and SAP, which is not seamlessly interfaced, results in many manual offline workarounds and provides a negative user experience.
- No single source of the truth because data is pushed from one system to the other with differing data standards.
- Reduced quality of data insights because of the fragmented systems, not all spend is in one place, meaning we cannot use data confidently to inform strategic sourcing or cost saving decisions.
- Lack of control of the tail spend happening across the business due to previous configuration of Coupa.
- There is unexploited potential of our Source-to-Pay (S2P) platform capabilities not being used but which is available to us.

In RIIO-GT3 we will optimise our Source-to-Pay platform capabilities by moving to a consolidated, simplified, fully integrated solution, which will enable our Procurement teams to have a single repository for suppliers and contracts, and reduce our cost per transaction through operational efficiencies.

The new S2P capability needed, and benefits sought are:

- Establish a single core operational procurement platform to consolidate capabilities and workflows which will generate significant efficiencies over the complex design we have now.
- Improve data quality by creating a single source of the truth for spend data which will facilitate better analysis and decision making.
- Automate interfaces with other key upstream and downstream platforms to save time and improve data quality.
- Create a single repository for holding our contracts.
- Give us greater control over and management of spend.
- Use system native AI/Machine Learning to automate low value tasks in the PTP space, thus increasing efficiency and our overall cost per transaction.

These capabilities will prove a faster, more agile procurement and operational finance platform which will enable us to execute at speed while responding to the increased demand from the AMP. Without this, we would require growing manual workarounds and increased headcount to deliver processes which could be automated.

### *IT 085 S2C: New Digital Capability*

Against the backdrop of increasingly volatile geopolitical events and global demand for infrastructure, we face a challenging task of ensuring we have the procurement capability to meet the delivery of our Supply Chain Resilience Plan (SCRIP).

Currently we use the SAP Ariba module as the core platform for our direct sourcing and procurement activity. In RIIO-T2 this was part of National Grid's SAP development roadmap with plans to further expand system functionality. The inherited configuration

of Ariba is not fit for our immediate and future needs. It leaves us with significant capability gaps and only selected parts of the Ariba application are currently suitable for the procurement team, presenting us with the following issues:

- Widespread manual, low-level, labour-intensive processes are needed due to lack of functionality, detracting from higher value add activity.
- Lack of capability in supplier management, supply chain management, and demand planning required to deliver the Supply Chain Resilience Plan
- Not able to capture data in key areas, resulting in poor quality data for tracking and reporting, leading to lack of detailed insights to inform strategy and decision making, such as for asset demand and forecasting.
- Risk of creating a negative perception to external stakeholders due to poor supplier onboarding and management capability.
- No sustainability tracking or ESG policy management support.

For RIIO-GT3, to enable increased Supply Chain Resilience, we will deliver significant new capability improvements for the Procurement function. We will do this by validating what can be fulfilled by extending the scope of the new core S2P platform (investment IT 084) and where the specialist capability exists that cannot be fulfilled by the core S2P platform, e.g. for supply chain mapping, we will look to providers who specialise in this area and interface with the core S2P platform to deliver the following:

- Auditable tendering: Needed for running sourcing events, we need a solution which enables us to track all communication when we open a tender event, to reduce the workload.
- Digital Contracting: We want to build contracts within a single repository and proactively track how our suppliers are performing against set obligations.
- Supplier Management: At present, we have no dedicated IT capability to handle this and it is performed in many ways across the business. We require system capability which enables us to create structured workflows to capture significantly more detailed information against suppliers such as financial health, insurance, health and safety, work quality, cyber credentials, and detailed background checks to help us monitor and mitigate risks or threats.
- Supply Chain Mapping: We use the application Risk Methods to summarise the overall risk of suppliers; however, we want to be able to understand the wider flow of our supply chain to manage the risk if we have single points of failure so that pre-emptive action can be taken.
- Demand & Forecasting: This capability will enable the Procurement team to have access to data which will enable forward planning in relation to key assets and CAPEX activity. Supported by data held within our Enterprise Asset Management (EAM) and work force planning systems, procurement can pre-empt what key sourcing events are coming up as part of the AMP and plan to ensure we can respond quickly to supply work orders without incurring risk.
- Sustainability/ESG: New system capability is needed to track our carbon emissions from our supply chain and meet our net zero ambitions. There is also growing areas of focus for Environment, Social and Governance (ESG), particularly in areas of modern slavery, social value, and chemicals which we will need system capability to manage aligned to our corporate strategy.
- AI / Digital Automation Capability: This is to give Procurement digital capability to automate and structure low value, labour intensive processes to facilitate business self-serve, freeing up team resource to focus on high value areas.
- Spend analytics: Currently there is no ability to easily analyse the end-to-end spend data. It is only through having better spend analytics capability will we be able to become data led, which will result in better commercial decision making.

This additional S2C IT capability is required because of the additional robustness of the Supply Chain Resilience Plan as well as the extra volume that the AMP demands.

#### *IT 086 Procurement Policy IT Compliance*

During RIIO-T2 the increasingly stringent regulatory environment forced us to implement new policies and processes which demanded updates to our IT systems and introduced manual non system tasks. It is anticipated for RIIO-GT3 that these conditions will continue with much more focus being placed upon Supply Chain Resilience, sustainability and ESG (Environment, Social and Governance).

This investment is to support system updates on a timely basis, without which we will not be able to keep our IT applications compliant in response to:

- Geopolitical events – e.g. Wars / Covid.

- Ofgem reporting requirements.
- Increased government legislation – e.g. The Procurement Act 2023.
- Increased global trade requirements.

Without this investment, we could face substantial fines or potential criminal damage which would have a widespread reputational damage and impact on our overall ability to source materials in a timely manner and control costs. To ensure that we remain compliant with the latest regulation and policies we will need to react quickly and appropriately through changes in our Procurement IT applications.

By having a ringfenced budget to deliver Procurement IT system changes, we increase our agility and resilience to these external regulatory, compliance and safeguard risks through the following capabilities:

- Anticipate and deliver IT change to existing systems and software with minimal impact on Procurement and sourcing capability.
- Ensuring system changes can react to global events which threaten supply chain continuity.
- Ensure the growing ESG supplier compliance can be fulfilled by updating existing systems or by utilising new solutions.
- Ensure we can always comply to our Ofgem regulatory and reporting requirements without suffering a deterioration in procurement efficiency by ensuring our IT systems can provide the data they need.
- Improve our compliance controls using existing IT systems to mitigate risks.

This investment will support the resilience of our supply chain by ensuring we have IT systems in step with the external requirements without having to slow down speed or execution. The spend profile represents an annual update budget and has been sized based on our experience in previous years.

#### *IT 087 Expense Management*

In RIIO-T2 we implemented a new SaaS expense solution (SAP Concur) to enable the business to administer expense claims. It is used in conjunction with an external travel service provider (Agiito).

Currently these services are not integrated with the procurement IT systems but are instead aligned to our Finance platform. This creates issues for the business and employees in the following areas:

- Utilisation of multiple systems which increases overall operational costs through licences and maintenance fees.
- Employees need to use multiple systems to register and record business spend, making compliance harder to manage.
- Expenses and Travel costs are not incorporated to our wider supplier and procurement systems, limiting our ability to make informed strategic decisions on supply efficiency and cost management.
- There are limited travel options due to contractual links between our current travel provider and system.

For RIIO-GT3 to achieve system efficiency and long-term value for money we propose to consolidate our expense management capability with our procurement and operational finance IT applications. The major functional benefit this will give us is being able to improve compliance by ensuring more spend is recorded centrally and aligned to procurement agreements. This will reduce spend leakage and provide our procurement and finance teams with improved spend data which will facilitate better strategic decisions. This will be achieved by:

- Empowering staff to submit and approve expenses without having to access multiple solutions for different types of spend, improving staff productivity, and allow the business greater control over policies.
- Improve access to spend data which would enable us to analyse and inform improvement.
- Reduce leakage from having individuals being able to decide when a sourcing agreement should be set-up and managed without procurement agreement.
- Improve cashflow through having more purchases with beneficial payment terms to us.
- Change to more cost effective and improved travel provider which is not tied to current systems provider.

## 5.2 Optioneering

This investment area covers four different investment lines which impact the capability of Procurement throughout the RIIO-GT3 period. The investments have strong inter-relationships and together impact on the delivery of the AMP, Supply Chain Resilience Plan and overall business efficiency. For the purposes of options analysis they have been reviewed as a package. The options were selected to contrast the outcome of not investing with alternative ways of achieving the target outputs. These alternatives reflect two contrasting approaches, option A being rationalisation of existing separate platforms and option B being a move to an integrated solution that better addresses the key issues.

Ref.	Option Description	Pros	Cons
DNI	<b>Do nothing</b>	<ul style="list-style-type: none"> <li>• No business change after a period of significant change due to divestment from National Grid</li> <li>• Low impact to business operations by continuing with the 'Status Quo'.</li> </ul>	<ul style="list-style-type: none"> <li>• Puts National Gas at risk of having an inefficient sourcing capability.</li> <li>• Increases cost to purchase in a very competitive environment.</li> <li>• Increase cost per transaction handled due to system inefficiencies.</li> <li>• Increases exposure to reputational and regulatory risk.</li> <li>• Increased cost leakage (outside procurement agreements).</li> </ul>
A	<p><b>Consolidate and optimise existing systems:</b></p> <p>Reduce different number of legacy systems and ease interface issues where possible. Expenses stay separate from procurement, but do not invest in new S2C capability.</p>	<ul style="list-style-type: none"> <li>• Improve speed and efficiency required of the AMP.</li> <li>• Reduces number of procurement platforms.</li> <li>• Reduces data duplication.</li> <li>• Better data flows via improved interface</li> <li>• Reduce the manual work between S2C and PTP</li> <li>• <b>Reduced business disruption through continuity.</b></li> <li>• Business is already familiar with current applications.</li> </ul>	<ul style="list-style-type: none"> <li>• Puts at risk the demands of the SCR plan.</li> <li>• Still maintaining multiple siloed systems</li> <li>• Doesn't provide new sourcing capability needed.</li> <li>• Suboptimal user experience.</li> <li>• More labour-intensive processes, increasing staffing cost.</li> <li>• Expenses management remains separate from Procurement with potential for spend leakages.</li> <li>• Limited ability to handle transfer to hydrogen supply chain demands.</li> </ul>
B	<p><b>Transform:</b></p> <p>Add new procurement sourcing and align S2P and Expense Management through one primary application provider, achieving an integrated business spend approach to deliver the increased volume of the AMP and demands of the SCR plan.</p> <p><b>PREFERRED</b></p>	<ul style="list-style-type: none"> <li>• Right solution for the size of NGT business</li> <li>• Delivers capacity and efficiency to support the AMP.</li> <li>• Deliver significant improvement in strategic sourcing capability required of the SCR Plan.</li> <li>• Automate PTP processing providing faster end to end processing, reducing overall cost per transaction.</li> <li>• Simplifies - incorporates all business spend within one design.</li> <li>• Remove siloed systems with seamless interfaces.</li> <li>• Unified data structures and spend data analytics.</li> <li>• Improved end to end user expense management experience and compliance over spend leakage.</li> <li>• Protects reputation and risk of regulatory fines.</li> </ul>	<ul style="list-style-type: none"> <li>• Greater business change.</li> <li>• <b>Greater IT investment cost.</b></li> <li>• Current business expenses platform is well received.</li> <li>• Transition period can be disruptive, potential loss of specific features unique to certain platforms.</li> </ul>

### 5.3 Preferred option

The preferred option is Option B: to transform our procurement and business spend IT capability. This is because change is needed across all our procurement IT applications, not just part.

Investment across all our systems for Procurement and business spend will enable us to remove the siloed and poorly designed current IT capability which presents barriers to us fulfilling the increased volume demands of the AMP and increased supply resilience complexity to manage risk and provide continuity of supply. Whilst Option A has lower cost, it retains separate platforms to be maintained which provides limited scope for automation of processes, needed to provide capacity to deliver the AMP. Option B is the only option that delivers the significant S2C capability improvement to enable the supply chain resilience plan and manage risks and costs, which our inherited IT tools cannot.

Through transforming our Procurement IT capability, not only will we have IT capability which is the right size and aligned to our ways of working we will have system efficiency which will provide long term value for money.

#### Consumer / stakeholder benefits

Right sizing these systems will bring efficiencies that will drive long term value for money for consumers and network participants and will provide the capacity and resiliency to enable delivery of the AMP which is essential for secure and resilient service delivery.

## 5.4 Cost and deliverability

The cost drivers for this investment are in common with other IT investments and are described in the IT & Telecoms Strategy document, section 3.4.3. Costs are for the full scope of deliverables as described above. Deliverability of this investment is in common with other IT investments and are described in the IT & Telecoms Strategy document, section 3.4.5.

The spend profile and delivery plan are shown below.

IT 084: S2P Existing System Efficiencies							Gartner Benchmark Range		Gartner Rating
Investment (£m)	FY26/27	FY27/28	FY28/29	FY29/30	FY30/31	Totals	Low	High	
Capex	■	■	■	■	■	■			
Opex	■	■	■	■	■	■	■	■	

IT 085 S2C New Digital Capacity							Gartner Benchmark Range		Gartner Rating
Investment (£m)	FY26/27	FY27/28	FY28/29	FY29/30	FY30/31	Totals	Low	High	
Capex	■	■	■	■	■	■			
Opex	■	■	■	■	■	■	■	■	

IT 086 Procurement Policy Compliance							Gartner Benchmark Range		Gartner Rating
Investment (£m)	FY26/27	FY27/28	FY28/29	FY29/30	FY30/31	Totals	Low	High	
Capex	■	■	■	■	■	■			
Opex	■	■	■	■	■	■	■	■	

IT 087 Expense Management							Gartner Benchmark Range		Gartner Rating
Investment (£m)	FY26/27	FY27/28	FY28/29	FY29/30	FY30/31	Totals	Low	High	
Capex	■	■	■	■	■	■			
Opex	■	■	■	■	■	■	■	■	

### Summary cost table

For investments IT 084, IT 085, IT 086 and IT 087							Gartner Benchmark Range		Gartner Rating
Investment (£m)	FY26/27	FY27/28	FY28/29	FY29/30	FY30/31	Totals	Low	High	
Capex	■	■	■	■	■	■			
Opex	■	■	■	■	■	■	■	■	

Procurement Capability	FY 26/27	FY 27/28	FY 28/29	FY 29/30	FY30/31
IT84: S2P & IT85 S2C - Design & Build	■				
IT84: S2P & IT85 S2C - Implementation		■			
IT84: S2P & IT85 S2C - Enhancements			■	■	■
IT86: Procurement Policy Compliance - Enhancements	■	■	■	■	■
IT87: 087 Expense Management - Build & Implement	■				
IT87: 087 Expense Management - Enhancements		■	■	■	■

## 6 Human Resources capability (IT 095, 098)

### 6.1 Background and scope summary

Problem / Trigger	Strategy	Business Outcome	Primary Regulatory Outcome	Cost sub-category
<ul style="list-style-type: none"> <li>End-of-life systems</li> <li>High cost of ownership</li> <li>Complex and inefficient HR processes inherited from National Grid</li> </ul>	Replace and simplify	Invest in our people. <ul style="list-style-type: none"> <li>Reduced cost of ownership</li> <li>Improved employee satisfaction and development</li> </ul>	System efficiency and long term value for money	Digital processes

Following separation from National Grid and end of vendor support for the system, investment is required to deliver a simplified Official – Sensitive commercial

and improved People Platform, improving digital learning, increasing automation, and continuously adapting to evolving HR policy and strategy to deliver an exceptional colleague experience to attract, empower, retain, and develop our talent. This will align and support our key strategic goals including delivering our Employee Value Proposition (EVP).

There are two investments in this area, as follows:

Platform	Capability	Investment	£m
People Systems	Talent Management (HR)	IT 095 - People Platform (HR System) including: People Platform, AI, HR Strategy, Policy & Compliance	█
		IT 098 - Digital Learning	█

The focus in RIIO-T2 was to maintain the current SAP Success Factors system (including SF, EC and ECC components) and invest in maintaining and developing the SAP SuccessFactors platform.

Investment in our People systems is required to avoid having legacy systems which are not fit for purpose and out of support with the vendor, posing a risk of failure and non-compliance for our HR processes.

By transforming our People technology, we will move away from a transactional BAU activities model into a collaborative experience. The goal is to have a unified technology model enabling colleagues to access all their HR related activities from one place.

This will enable us to drive our costs down, reduce risks associated with multiple platforms and manual work thereby improving employee experience, and support our management in their decision-making processes.

In RIIO-GT3, we will invest in:

- Transforming our People Systems into a robust self-service and cloud-based platform enabling colleagues to have an all-in-one platform for any HR related activities, giving an enhanced user experience.
- Integrate the latest technology around AI/Automation native to the offering, to simplify current processes which in return will decrease time and effort for both colleagues and management to deliver results.
- Providing employees with a suitable Digital Learning Platform to support their learning and development.
- Support HR Strategy, including Policy & Compliance, for future capabilities and ensure we are up to date with the UK's latest regulations.

**Problem/ opportunity statement**

*IT 095 People Platform (HR System)*

We are currently using SAP SuccessFactors to manage employee data and all HR related activities such as onboarding, performance and recruitment, in addition to the payroll solution (SAP ECC) which were all inherited from National Grid. This system goes out of vendor support in 2027.

The IT separation programme has resulted in the majority of the HR processes being handed over by National Grid as-is. This places pressure on the People Function (HR) team to process all HR BAU related activities, as self-service is limited and manual process steps are common.

SAP SuccessFactors is not fit for purpose due to:

- Complex integrations with numerous systems, increasing ownership cost and reducing flexibility.
- Lack of process automation resulting in manual workarounds.
- Reliance on IT partners for any system changes, reducing agility to change.
- High costs associated with system improvement.
- Lack of data and analytics tools.
- Over complicated processes which impact efficiency.

We will invest in transforming our People Systems to address these issues, streamlining connected applications and processes such as the service layer to deliver best employee experience and service. This will ensure that the planned Target Operating Model for the People Function is met.

Investing in fully integrated and secure People Systems will align with our strategy and enable both colleagues and leadership to:

- Select a solution that is the right size for our needs, which in return will reduce Run the Business (RTB) costs.



- Fully utilise self-service features including mobile capability.
- Transform the current lengthy and manual process into a simplified and streamlined process.
- Minimise associated risk and increase work efficiency.
- Attract, develop, support, motivate, reward, and listen to our colleagues.
- Enable leaders to utilise people data and analytics to provide meaningful insights to drive better decisions.

**People Platform (AI)** – The desired solution will incorporate the latest technology around automation, to tackle challenges of manual processing. Many companies are starting to include this technology in their HCM solution e.g., SAP Joule, Workday generative AI, Oracle AI, and others. We will utilise this native AI product technology to improve the employee lifecycle through:

- Recruitment automation and intelligent assessments which will improve the quality to hire.
- Smart employee onboarding process.
- Improve learning and development by automated suggestion of learning opportunities, career paths, internal vacancies, projects to work on, or mentoring opportunities to our colleagues.
- Data driven succession planning, continuous performance management and retention.
- Smarter People Data and Analytics reporting that is driven from the People Platform and integrated systems.

**Adapting to changing HR Strategy, Policy and Compliance requirements** – Investing in the above technology will improve alignment with our future HR Employee Value Proposition (EVP) and business and People strategy. This area is a crucial part of the RIIO-T2 work and we will continue the progression in RIIO-GT3. This will support the leadership team’s strategy to provide our colleagues with an exceptional experience by improving existing services and introducing new capabilities and benefits.

Furthermore, we will better enable timely response to Policy and Compliance changes, which are difficult and slow in our current system. Changes in regulation, legislation, people data compliance and workplace safety mean that policies are always being reviewed and often tightened. Failing to comply with any changes can result in:

- People data being at risk.
- Reputational damage to National Gas
- Financial penalties
- Legal and criminal charges leading to imprisonment or other sanctions (e.g., loss of Sponsorship Licence)

This investment will reduce the risk of these issue arising through enabling timely system changes.

#### *IT 098 Digital Learning*

We currently use services from different learning providers such as LinkedIn, Learning Pool, and SAP learning module to deliver the learning capability to our colleagues. In RIIO-GT3, we will progress the RIIO-T2 journey by continuous investment in digital learning.

Additionally, we are aiming to improve and simplify this area by moving away from the traditional concept of delivering courses into a model supported by technology to enhance our colleagues’ learning experience.

This will also replace the need to access multiple learning platforms. This will be possible by integrating these services within the available People Platform which will:

- Simplify the way to suggest and deliver courses including tailored development plans.
- Empower colleagues them to develop their skills and competence.
- Drive down license and maintenance costs.

## 6.2 Optioneering

This investment area covers two different investment lines which impact the capability of Human Resources throughout the RIIO-GT3 period. The investments have strong inter-relationships and for the purposes of options analysis they have been reviewed as a package.

The options were selected to contrast the outcome of not investing with alternative ways of achieving the target outputs. These alternatives reflect two contrasting approaches, option B being continuing with an approach based on separate platforms and option A being a move to an integrated solution that better addresses the key issues.

Ref.	Option Description	Pros	Cons
DNI	Do Nothing – Remain with our existing SAP HR system	<ul style="list-style-type: none"> <li>• No business change after a period of notable change due to divestment from National Grid</li> <li>• Minimal impact to business operations by continuing with the ‘Status Quo’.</li> </ul>	<ul style="list-style-type: none"> <li>• High risk due to loss of support and maintenance from SAP</li> <li>• Not aligned with the People Function future business operating model.</li> <li>• Manual processing is required which comes with a high risk of human error.</li> <li>• Lack of adoption by colleagues due to minimal / no automated or self-serve processes</li> <li>• Will not provide the management with required tools to support their People and Analytics data.</li> <li>• Relying on IT partners to do any system changes regardless of whether simple or complicated.</li> <li>• Current solution is not the best fit for an organisation of our size</li> </ul>
A	Invest in a fully integrated HCM solution  <b>PREFERRED</b>	<ul style="list-style-type: none"> <li>• Utilise latest functionalities from market leaders in this space or stay with the current SAP supplier and transform into the most updated version capabilities.</li> <li>• Cloud first approach including all or some required functionalities incorporated in one integrated solution which will remove manual work and the associated risks to data security.</li> <li>• Ease of use with self-service including mobile capability which will drive increased efficiency and reduced associated costs.</li> <li>• Integrated AI/Automation modules can significantly reduce the time it takes to perform routine HR tasks in addition to harnessing the power of data for robust analytics and insights.</li> <li>• Integrate seamlessly with digital learning platform to support our colleagues learning and development</li> </ul>	<ul style="list-style-type: none"> <li>• Vendors who can provide all-in one functionality may not be the right size for us and will have a higher licence cost.</li> <li>• Depending on the supplier, some technologies required by us may still be in their technology roadmap to be developed for the next 1-3 years.</li> <li>• Implementing such solution will be initially costly, however this will be offset by the cost reduction from work efficiency in the long run.</li> <li>• Concerns around AI safe use.</li> <li>• Concerns from colleagues on the security of their jobs when adopting AI/Automation. It is important to understand that this technology will take over routine tasks, not to eliminate positions</li> </ul>
B	Invest in separate solutions (HCM, Digital learning and AI)	<ul style="list-style-type: none"> <li>• We can select different solutions that are the right size and cost efficient for us.</li> <li>• Ability to select different solutions that specifically meet our business needs which might not be possible when buying under one solution.</li> <li>• Buying 3rd party AI/Automation modules can significantly reduce the time it takes to perform routine HR tasks in addition to harnessing the power of data for robust analytics and insights.</li> <li>• Buying digital learning platform(s) that relate better to employee needs and improve their learning and development</li> </ul>	<ul style="list-style-type: none"> <li>• Complex integrations due to having multiple systems, increasing cost.</li> <li>• Need to deal with multiple vendors for commercials and licenses, with potential for higher total costs.</li> <li>• It goes against simplifying employee experience and having one unified system. Employees will need to train and deal with different platforms.</li> <li>• Increased potential security risks when dealing with different vendors which means that our data is flowing to several external providers</li> </ul>

### 6.3 Preferred option

Investment is required in our People systems enabling us to maintain system supportability, compliance with legislation / regulation, security and deliver system efficiency and long-term value for money.

The recommended option is A: to Invest in a fully integrated HCM solution which provides all required capabilities in one HCM solution and aligns to our strategic vision to simplify our systems to meet our particular requirements while reducing complexity and increasing efficiency.

A fully integrated HCM solution using a cloud-first approach will reduce maintenance costs and facilitate upgrade paths enabling us to benefit from innovations and system enhancements implemented as part of upgrades by the supplier. Option B of multiple solution components goes against our IT strategy (simplification) and will be more complex to implement and manage. The DNI option is discounted for cost, functionality / usability, and risk reasons.

#### Consumer / stakeholder benefits

The new solution will save time for all employees and for the HR team, reducing the cost and improving long term value for money. Better decision support and improved employee satisfaction will further add to this as well as contributing to quality of service.

## 6.4 Cost and deliverability

The cost drivers for this investment are in common with other IT investments and are described in the IT & Telecoms Strategy document, section 3.4.3. Costs are for the full scope of deliverables as described above. Deliverability of this investment is in common with other IT investments and are described in the IT & Telecoms Strategy document, section 3.4.5.

The spend profile and delivery plan are shown below.

								Gartner Benchmark Range		Gartner Rating
Investment (£m)	FY26/27	FY27/28	FY28/29	FY29/30	FY30/31	Totals	Low	High		
IT 095 - People Platform (incl. AI & Automation, HR Policy and Compliance)	CAPEX	■	■	■	■	■	■	■	■	
	OPEX	■	■	■	■	■	■	■	■	
IT 098 - Digital Learning	CAPEX	■	■	■	■	■	■	■	■	
	OPEX	■	■	■	■	■	■	■	■	

Note that the Gartner rating for IT 098 is amber as our estimate is above the high range figure, but this is only by 1% and we are confident of the bottom-up cost analysis.

IT 095 People Platform (HR System) & IT 098 Digital Learning	FY 26/27	FY 27/28	FY 28/29	FY 29/30	FY30/31
People Platform Implementation					
People Platform License and Enhancements					
Digital Learning – Implementation					
Digital Learning – License and Enhancements					

## 7 Communications capability – Intranet (IT 088)

### 7.1 Background and scope summary

Problem / Trigger	Strategy	Business Outcome	Primary Regulatory Outcome	Cost sub-category
<ul style="list-style-type: none"> <li>End of contract in 2026</li> <li>Continuous improvement / higher user expectations</li> <li>Technology evolution</li> </ul>	Review and enhance	Effective communications to invest in our people, grow our capability, and value everyone’s contribution	System efficiency and long term value for money	Digital platforms

This investment is to evaluate the current solution at the end of the contract (2026) and either replace it or continue to invest in our current solution to ensure continued effective communications to employees.

There is one investment in this area, as follows:

Platform	Capability	Investment	£m
Digital communications	Marketing & Communications	IT 088 Intranet	■

Internal communications play a vital role in enabling National Gas to engage with employees. We will continue to develop our communications capability to keep pace with changing technology and expectations. Communications technologies are ever evolving, and stakeholder expectations are increasing accordingly through widespread use of web based tools such as social media. We will invest in and grow our internal communications capability, to enhance employee engagement and knowledge.

#### Problem/ opportunity statement

Our Intranet is our key internal digital channel and is at the centre of our employee communications strategy. Continued investment is needed to continue to enhance our Intranet as the primary portal, providing a one-stop shop for employees searching for news, information, policies, and important internal applications and tools across various departments such as HR and Procurement. It enables a modern digital workplace experience, boosting employee productivity, user experience and

engagement by connecting people, knowledge, and tasks. The National Gas Intranet is employee-centric, trusted and valued as a daily go-to location.

Our Intranet (branded ‘Connect’) is accessible from mobile devices and via the desktop. As a key element of our digital workplace, it is a cultural tool, allowing us to effectively communicate with our audiences and demonstrate our purpose, vision, and values.

During RIIO-T2, we aligned with National Grid’s strategy to continue our “Grow and Evolve” our key internal digital channel, continuing to develop it to ensure employees have access to the right end-to-end processes, people, and information to be effective in their roles.

Without investment, the following problems are likely to emerge:

- A gap may develop between employee’s consumer experience and employee work experience which could leave employees dissatisfied and unengaged with the intranet, leading to poor staff morale and productivity.
- Employees may avoid the intranet in favour of search, direct links or asking colleagues when seeking information or guidance.
- During RIIO-GT3 the intranet will be a critical tool for supporting adoption of new systems without it could result in lower adoption of new technology.

In RIIO-GT3 we will continue to invest in our Intranet to continue to support its growth and the adoption of new technologies in an ever-changing digital environment. The current contract ends in 2026 and we will evaluate the options and potentially change suppliers at that point.

This will enable us to:

- Maintain user engagement, by continuing to improve the user journey to find information, materials, and a quicker route through self-service enabled via an intuitive design and structure.
- Continue to engage employees, including frontline and remote workers, in disparate roles and situations.
- Improve employee productivity through enhanced user experience and engagement by connecting people, knowledge, and tasks.

## 7.2 Optioneering

The options were selected to contrast the outcome of not investing with alternative ways of achieving the target outputs. These alternatives reflect two contrasting approaches, option A being the continuing with the current system but with review and possible replacement and option B being a move to a new solution. As the contract will end in RIIO-GT3, continuation of an intranet service depends on action and so a ‘do nothing’ option is not included in the analysis.

Ref.	Option Description	Pros	Cons
A	Keep the lights on – Review the current solution at the end of the contract in 2026 with sufficient funding to replace if there is a perceived benefit.  <b>PREFERRED</b>	<ul style="list-style-type: none"> <li>• <b>Connect</b> is trusted and valued as a daily go-to location for National Gas employees.</li> <li>• National Gas Comms team familiar with the product for content creation.</li> <li>• Reduce complexity of system integration.</li> </ul>	<ul style="list-style-type: none"> <li>• High annual license cost with vendor.</li> </ul>
B	Replace Connect with a new solution	<ul style="list-style-type: none"> <li>• Opportunity to implement an Intranet that meets the requirements of National Gas with a lower annual license cost.</li> <li>• Simplification of architecture depending on chosen solution</li> </ul>	<ul style="list-style-type: none"> <li>• Migrating data from existing applications may be complex.</li> <li>• Alternative platforms may not offer the functional richness of the current solution.</li> <li>• Possible negative reaction from colleagues if they see the alternative as a degraded product.</li> </ul>

## 7.3 Preferred option

Investment is required to achieve main business plan outcomes, as an essential enabler of business capability and outcomes.

The preferred option is Option A: continue with the current solution until contract end in 2026, as the current Intranet hosting and content management solution meets the requirements of the Internal Communications team. Then evaluate replacement with an alternative solution if there is a perceived benefit at the end of the current contractual period. This provides more flexibility than option B and keeps open the route to a new solution if there is a benefit.

The project plan below shows the contract renewal followed by continuous improvement enhancements.

**Consumer / stakeholder benefits**

Better customer service from fully engaged and motivated NGT employees.

**7.4 Cost and deliverability**

The cost drivers for this investment are in common with other IT investments and are described in the IT & Telecoms Strategy document, section 3.4.3. Costs are for the full scope of deliverables as described above. Deliverability of this investment is in common with other IT investments and are described in the IT & Telecoms Strategy document, section 3.4.5.

The spend profile and delivery plan are shown below.

IT 088 – Communications: Intranet							Gartner Benchmark Range		Gartner Rating
Investment (£m)	FY26/27	FY27/28	FY28/29	FY29/30	FY30/31	Totals	Low	High	
CAPEX	■	■	■	■	■	■	■	■	
OPEX	■	■	■	■	■	■	■	■	

IT 088 Intranet	FY 26/27	FY 27/28	FY 28/29	FY 29/30	FY30/31
Implementation					
Enhancements					

**8 Communications capability – Internal Channels (IT 089)**

**8.1 Background and scope summary**

Problem / Trigger	Strategy	Business Outcome	Primary Regulatory Outcome	Cost sub-category
<ul style="list-style-type: none"> <li>Continuous improvement / higher customer expectations</li> <li>Technology evolution</li> </ul>	Respond and enhance	Effective communications to invest in our people, grow our capability, and value everyone’s contribution	Secure and resilient supplies	Digital platforms

This investment is to maintain the health and security of the current application and to provide enhancements to continuously improve the service provided to employees, particularly those in the field for whom connectedness is more challenging and yet need more support with technology change and operational processes.

There is one investment in this area, as follows:

Platform	Capability	Investment	£m
Digital communications	Marketing & Communications	IT 089 Internal Channels	■

The ability to communicate and measure important information for National Gas employees is a key part of our employee communications strategy. The National Gas Internal Communications and Engagement team currently uses Poppulo to support communications which include newsletters, organisational announcements, leadership messages, strategic updates, and crisis communications.

**Problem/ opportunity statement**

There are several problems that would emerge because of not continuing to invest in our Internal Channels during RIIO-GT3.

- Employees may not receive communications that are vital for their role and wellbeing.
- Field workers may not have access to as many communication and collaboration options as office workers. This can make it challenging to reach them in a timely and effective manner.
- During RIIO-GT3 our Internal Channels will be a critical tool for supporting adoption of new systems and without it could result in lower adoption of new technology.

In RIIO-GT3 we will continue to invest in our internal channels exploring alternative offerings and assess the benefits of adding additional functionality.

This will enable National Gas to:

- Keep the system secure and compliant by applying upgrades from the vendor.
- Continue to engage employees, including front line and remote workers, in disparate roles and situations.
- Improve employee productivity through enhanced user experience and engagement by connecting people, knowledge, and tasks.
- Promote the adoption of new technology during RIIO-GT3.

### 8.2 Optioneering

The options were selected to contrast the outcome of not investing with alternative ways of achieving the target outputs. These alternatives reflect two contrasting approaches, option A being the continuing with the current system, with continuous improvement through incremental enhancements, option B being a move to a new solution with additional capabilities.

Ref.	Option Description	Pros	Cons
DNI	Do nothing	<ul style="list-style-type: none"> <li>• Lowest cost option</li> </ul>	<ul style="list-style-type: none"> <li>• No continuous improvement in service.</li> <li>• Supportability and security will be compromised by not applying upgrades.</li> <li>• Missed opportunity to assess alternative solutions.</li> </ul>
A	Keep the lights on – Enhance the current solution and assess the benefits of adding additional functionality  <b>PREFERRED</b>	<ul style="list-style-type: none"> <li>• No requirement to migrate to new platform.</li> <li>• No requirement for training.</li> <li>• Already meets the Communications team requirements.</li> </ul>	<ul style="list-style-type: none"> <li>• Missed opportunity to assess alternative solutions</li> </ul>
B	Replace current product with a new solution providing additional capability	<ul style="list-style-type: none"> <li>• In depth review into functionality of available products vs. current product Poppulo.</li> </ul>	<ul style="list-style-type: none"> <li>• The current solution seen as market leader by Communications team, providing the desired functionality.</li> <li>• Training requirements</li> <li>• Integration with other applications required</li> </ul>

### 8.3 Preferred option

Option A: enhance the current solution. Our current internal communications solution meets the requirements of the Internal Communications and Engagement team and so Option A is recommended for the RIIO-GT3 investment period to ensure funding is in place to continuously improve the current product. Option B is discounted as there is no clear driver for a change in system, in the problem statement or in terms of cost, functionality or flexibility. The ‘do nothing’ option is rejected as it does not address the need to maintain security and reliability of the system.

The project plan below shows annual investment in continuous improvement enhancements.

#### Consumer / stakeholder benefits

Investment is required to deliver system efficiency and long-term value for money by enabling us to maintain system supportability (asset health) and enhance capability.

### 8.4 Cost and deliverability

The cost drivers for this investment are in common with other IT investments and are described in the IT & Telecoms Strategy document, section 3.4.3. Costs are for the full scope of deliverables as described above. Deliverability of this investment is in common with other IT investments and are described in the IT & Telecoms Strategy document, section 3.4.5.

The spend profile and delivery plan are shown below.

IT 089 – Communications: Internal Channels							Gartner Benchmark Range		Gartner Rating
Investment (£m)	FY26/27	FY27/28	FY28/29	FY29/30	FY30/31	Totals	Low	High	
CAPEX	■	■	■	■	■	■	■	■	
OPEX	■	■	■	■	■	■	■	■	

IT 089 Internal Channels	FY 26/27	FY 27/28	FY 28/29	FY 29/30	FY30/31
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## 9 Communications capability – Nationalgas.com (IT 090)

### 9.1 Background and scope summary

Problem / Trigger	Strategy	Business Outcome	Primary Regulatory Outcome	Cost sub-category
<ul style="list-style-type: none"> <li>End of contract</li> <li>Continuous improvement / higher customer expectations</li> <li>Technology evolution</li> </ul>	Refresh, respond and enhance	Effective communications to deliver sustainable value for customers and stakeholders	Secure and resilient supplies	Digital platforms

This investment is to continuously improve the nationalgas.com website, enhancing the experience and value for external parties and making use of appropriate technology advancements.

There is one investment in this area, as follows:

Platform	Capability	Investment	£m
Digital communications	Marketing & Communications	IT 090 Nationalgas.com	█

Nationalgas.com is our key externally facing website and is the face of National Gas seen by our customers, stakeholders, and regulatory domains. It provides a key channel through which we communicate to stakeholders across all external domains. We must continue to develop our communications capability to keep pace with changing technology, rising expectations and our evolving engagement strategy.

During RIIO-T2, National Gas aligned with National Grid’s strategy to deliver a refreshed website utilising the Acquia Drupal content management system (CMS). This ensured that we had the right end-to-end processes in place to improve our capabilities in stakeholder management, customer engagement and data management securely, whilst improving operational effectiveness and efficiency. Since separating from National Grid, we have refreshed nationalgas.com and have continued to manage the content internally using Drupal.

Without investment in our external website technology, our ability to effectively communicate to external parties and their perception and dealings with us would both be impacted.

#### Problem/ opportunity statement

The contract for our current nationalgas.com platform expires towards the end of 2025 and an ongoing procurement process is likely to result in another three-year contract for the platform. This contract will therefore expire in 2028, and we will need to initiate another procurement event at the beginning of the RIIO-GT3 period. At this point, we will look at alternative options that best meet the needs of National Gas’s requirements.

The problems with the current nationalgas.com system are:

- Structural change to the website is difficult and slow under the current contract.
- The solution architecture can restrict innovation on the website.

Whilst the current capabilities are broadly as required, if we do not invest in a new contract and continually developing the website system, the following issues will emerge:

- A reduction in our Customer Satisfaction (CSAT) scores.
- Audience disengagement – nationalgas.com may become inaccessible on a user’s chosen mobile device/ platform, increasing frustration with the technology, content, or experience.
- Relationship damage, because National Gas would be seen to be falling behind the market, unable to keep up with trends, and give the impression of not being digital, inspiring, or fit for purpose.

In RIIO-GT3 we will continue to invest in nationalgas.com bringing the underlying technology up to date to continue to support the growth and maintenance of the website and the adoption of new technologies in an ever-changing digital environment. We will integrate additional externally facing content and touch points into what looks and feels like one single location introducing capabilities such as interactive tools to view and apply for connections and integration with our CRM systems. We will augment with emerging technology such as Generative AI to make the website more interactive.

This will provide National Gas with the following benefits:

- Improvements to the overall user experience resulting in an increase Customer Satisfaction (CSAT) score.
- As a newly independent business, enhancement of nationalgas.com will help to establish us as a brand and deepen relationships with customers.
- A reduction in the number of queries received by the Customer & Stakeholder teams from external stakeholders allowing them to focus on value-add activities.
- A secure and safe website that is compliant and minimizes risk to cyber-attack.
- Provide the information to the public where there is a need for public consultation.
- Low code / no code solution which assigned business users can update easily, improving the ability to target and share information at pace.

## 9.2 Optioneering

The options were selected to contrast the outcome of not investing with alternative ways of achieving the target outputs. These alternatives reflect two contrasting approaches, option A being the continuing with the current system, with continuous improvement through incremental enhancements, option B being a move to a new solution with additional capabilities.

Ref.	Option Description	Pros	Cons
DNI	Do nothing	<ul style="list-style-type: none"> <li>• Lowest cost option in the short term</li> </ul>	<ul style="list-style-type: none"> <li>• Website content will quickly become out of date.</li> <li>• Website look and feel will look increasingly old.</li> <li>• Missed opportunity to innovate.</li> </ul>
A	Keep the lights on – Exploit the current solution with sufficient funding to replace at the end of the contract if there is a perceived benefit.  <b>PREFERRED</b>	<ul style="list-style-type: none"> <li>• Current Nationalgas.com platform meets the current requirements.</li> <li>• Enhanced capability using emerging capability.</li> </ul>	<ul style="list-style-type: none"> <li>• Structural change is difficult / slow under the current contract.</li> <li>• Legacy National Grid architecture restricts innovation.</li> </ul>
B	Upgrade to a more capable platform	<ul style="list-style-type: none"> <li>• Opportunity to implement a new platform that meets National Gas's exact requirements.</li> <li>• Enhanced capability using emerging capability.</li> </ul>	<ul style="list-style-type: none"> <li>• Highest short-term cost to implement.</li> <li>• Business change impact.</li> <li>• Migrating data from existing applications may be complex.</li> </ul>

## 9.3 Preferred option

Investment is required to deliver system efficiency and long-term value for money to enable us to maintain system supportability (asset health) and enhance capability.

The preferred option is Option A: enhance the current platform. The current platform meets the requirements of the External Affairs team whilst augmenting with emerging technology will allow National Gas to adapt to emerging demands from our external stakeholders.

The recommendation is therefore to retain it for the RIIO-GT3 period with sufficient funding to support an opportunity to replace with an alternative solution if there is perceived benefit at the end of the current contractual period.

This will maintain credibility and professionalism influencing how our stakeholders perceive National Gas, improve communication with stakeholders and continue to establish the brand of National Gas.

### Consumer / stakeholder benefits

Consumers and stakeholders will benefit from continuous improvement in the user experience, structure and content of the website, providing a better service and enhancing the relationship with National Gas.

## 9.4 Cost and deliverability

The cost drivers for this investment are in common with other IT investments and are described in the IT & Telecoms Strategy document, section 3.4.3. Costs are for the full scope of deliverables as described above. Deliverability of this investment is in common with other IT investments and are described in the IT & Telecoms Strategy document, section 3.4.5.

The spend profile and delivery plan are shown below.



IT 090 – Nationalgas.com							Gartner Benchmark Range		Gartner Rating
Investment (£m)	FY26/27	FY27/28	FY28/29	FY29/30	FY30/31	Totals	Low	High	
CAPEX	■	■	■	■	■	■	■	■	
OPEX	■	■	■	■	■	■	■	■	

IT 090 Nationalgas.com	FY 26/27	FY 27/28	FY 28/29	FY 29/30	FY30/31
Procurement Event					
Platform Implementation					
Platform Upgrades					

## 10 Safety, Health & Environment (SHE) capability (IT 094)

### 10.1 Background and scope summary

Problem / Trigger	Strategy	Business Outcome	Primary Regulatory Outcome	Cost sub-category
<ul style="list-style-type: none"> <li>End-of-life systems</li> <li>Continuous improvement</li> <li>Respond to changing regulation and legislation</li> </ul>	Refresh and enhance	Effective SHE management to support safe operations, incident management and continuous learning	Secure and resilient supplies	Digital processes

This investment is to review and refresh SHE systems at the end of the contracts in RIIO-GT3, continuing or replacing the applications as appropriate.

There is one investment in this area, as follows:

Platform	Capability	Investment	£m
Corporate Functions	Environment & Safety	IT 094 Safety Incident Management and SHE related applications	■

National Gas has a moral and legal obligation aligned to safety, health and the environment. The Health and Safety at Work Act (1974) places a general duty on employers to ensure, as far as is reasonably practicable, the health, safety, and welfare at work of all their employees. Ensuring the safety and health of our workforce, the public and our assets, are essential to how we work.

Failure to provide adequate systems that are user friendly and are easily accessible to all would fail to fulfil our obligations.

The scope of this investment covers the IT capability needed to maintain and improve access to critical health and safety applications: incident management, risk management and occupational health throughout the RIIO-GT3 period.

#### Problem/ opportunity statement

In RIIO-T2 we consolidated duplicated incident management and SHE related systems through application rationalisation, resolved siloed software and improved the customer experience around incident management and SHE applications.

The core IT capability we have inherited from National Grid during RIIO-GT2 is:

- Incident Management System (IMS)
- Occupational Health Information Online (OHIO)
- DSE (Display Screen Equipment)
- Driving Risk Management System (DRMS)

All four application contracts will expire during RIIO-GT3, and we will review the applications and either continue or replace them with an equivalent alternative that meets the needs of National Gas.

For RIIO-GT3 we also need to maintain and enhance these systems to keep them aligned to UK regulation and legislation. In addition, there are several system related concerns:

- Despite application rationalisation during RIIO-GT2, there are still multiple applications due to the diverse nature of the SHE requirements.
- Field based users cannot access the IMS.
- Not all applications have Single Sign On (SSO) impacting the user experience and adoption rate.

The principal focus of enhanced capability during RIIO-GT3 is our Incident Management System (IMS). Access to the application is currently only available via PC or Laptop, this means staff in the field are not able to update the system until they are back at their desks which impacts the employee experience when trying to capture the full details of all incidents. We would like to resolve this issue by deploying mobile capability to improve access and the level of reporting.

For the other applications: DRMS, DSE and OHIO, these apps are not integrated to our SSO or supported by our central IT teams, therefore we will improve the user experience for our staff by enabling this.

Our strategy for RIIO-GT3 will be to continue to use a specialist approach to applications as the capability is so diverse and not one provider can provide consolidation of the necessary scope. If a vendor emerges that can provide this, we may look at consolidating them into one platform in the future.

The proposed investment will enable National Gas to:

- Ensure compliance with SHE regulations.
- Manage our moral obligations as a business.
- Meet our own safety ambitions of being safe every day.
- Ensure the SHE applications are fully aligned to our core value of simplification.

## 10.2 Optioneering

The options were selected to contrast the outcome of not investing with alternative ways of achieving the target outputs. These alternatives reflect two contrasting approaches, option A being the continuing with the current specialist systems, with continuous improvement through incremental enhancements, option B being a move to a new solution on a single platform with additional capabilities.

Ref.	Option Description	Pros	Cons
DNI	Do Nothing – Remain with our existing SHE related applications and do not enhance our capability	<ul style="list-style-type: none"> <li>• No change impact on the business as we stay with the Status-quo.</li> </ul>	<ul style="list-style-type: none"> <li>• Risk of falling behind if new UK legislation needs to be adopted.</li> <li>• IMS will continue offer a sub-optimal user experience for field-based users.</li> <li>• Potential risk we are not able to record and track new types of SHE incidents as our systems fall behind market and regulatory developments.</li> <li>• Risk some applications fall out of support.</li> </ul>
A	Continue to use specialist SHE related applications Systems and look for opportunities to enhance our capability  <b>PREFERRED</b>	<ul style="list-style-type: none"> <li>• Higher system performance through using specialist SHE IT capability available to us on the market.</li> <li>• Potential to maintain current favourable commercial terms with existing providers.</li> <li>• Improve IMS field-based user experience and system utilisation through use of mobile app.</li> <li>• More options available in the market to assess for the best commercial deal.</li> <li>• Implement SSO for applications which are not currently supported to improve user experience.</li> <li>• Continue to use SaaS deployment where possible.</li> <li>• Higher quality data available to us.</li> </ul>	<ul style="list-style-type: none"> <li>• Required to maintain multiple systems and contracts.</li> <li>• More involved if applications must interface with other systems.</li> </ul>
B	Consolidate our SHE related applications with one strategic platform and look for opportunities to enhance our capability	<ul style="list-style-type: none"> <li>• Simplified system design</li> <li>• Improved user experience</li> <li>• Data is consolidated within one system.</li> </ul>	<ul style="list-style-type: none"> <li>• Higher risk if one element is wrong, we must stay with the single provider, or face higher exit costs.</li> <li>• Limited consolidated SHE systems options to choose from in the market.</li> <li>• Costs are likely to be more expensive than our current commercial agreements.</li> </ul>

### 10.3 Preferred option

Ensuring we have critical safety and health IT applications is a key obligation for RIIO-GT3 and beyond. We need to protect and refresh these applications while enhancing key systems to enable more of our staff to access the data and assistance they need.

Because of the diverse nature of the system specialism, the best option is A: to continue to use best-in-bread SHE related applications as it is lower risk than Option B which seeks consolidation by sourcing this through one supplier and risks having a sub optimal capability. We will look for opportunities to enhance our capability when our contracts come to an end and ensure we get the best commercial deals to provide long-term value.

#### Consumer / stakeholder benefits

Ensure our ability to manage health, safety and incident reporting is as good as it can be, to avoid injury to our employees, partners, contractors, the public and the environment.

### 10.4 Cost and deliverability

The cost drivers for this investment are in common with other IT investments and are described in the IT & Telecoms Strategy document, section 3.4.3. Costs are for the full scope of deliverables as described above. Deliverability of this investment is in common with other IT investments and are described in the IT & Telecoms Strategy document, section 3.4.5.

The spend profile and delivery plan are shown below.

IT 094 Safety Incident Management and SHE related applications							Gartner Benchmark Range		Gartner Rating
Investment (Em)	FY26/27	FY27/28	FY28/29	FY29/30	FY30/31	Totals	Low	High	
Capex	■	■	■	■	■	■	■	■	
Opex	■	■	■	■	■	■	■	■	

IT 094 Safety Incident Management and SHE related applications	FY 26/27	FY 27/28	FY 28/29	FY 29/30	FY30/31
Procurement Events – IMS & DRMS	▶	▶			
Procurement Event - DSE		▶			
Procurement Event - OHIO			▶		
IMS App Development	▶				
User Experience Improvements	▶				

## 11 Carbon Accounting capability (IT 100)

### 11.1 Background and scope summary

Problem / Trigger	Strategy	Business Outcome	Primary Regulatory Outcome	Cost sub-category
• End-of-life system (manual approach)	Replace and enhance	Efficient management of carbon reporting to drive a positive environmental impact	Secure and resilient supplies	Digital processes

This investment is to replace our predominately manual approach with a new solution for carbon accounting which will enable us to comply with legislation and public demand for environmental information in an efficient and high quality way.

There is one investment in this area, as follows:

Platform	Capability	Investment	£m
Corporate Functions	Environment & Safety	IT 100 Carbon Accounting	■

Having access to good quality emission data is progressively more important to National Gas on the journey to Net Zero. We have a legal obligation to report against scope 1,2 and 3 emissions data in accordance with the Greenhouse Gas Protocol.

The tracking and reporting of our direct and indirect emissions via our Business Carbon Footprint report is an essential enabler of the Environmental Action Plan (EAP) commitments, in assisting us understand our transition to Net Zero and our target to reduce embedded Carbon on major construction projects.

Currently we use very basic tools but to satisfy the growing legislative demands this capability needs enhancing to ensure we can deliver against our legislative requirements in RIIO-GT3 without increasing headcount and risk.

This data is currently collated through numerous internal and external data points, stored in spreadsheets and feeds into a growing number of stakeholder reports, which satisfy regulatory and statutory obligations.

**Problem/ opportunity statement**

In RIIO-GT2 National Gas was required to report on emissions from across a range of direct and indirect activities via our Business Carbon Footprint report (RRP Table 8.2).

At present, emissions data is predominantly manually sourced, extracted, converted, and stored in the form of spreadsheets. This capability is not suitable for the growing demands and importance of emission data capture, processing, and reporting that we are required to provide in RIIO-GT3.

This process is very labour intensive, lacks automation, is open to human error and not as secure as if it was stored within a dedicated IT system.

For RIIO-GT3, with the growing demands of emission reporting expected, especially within the area of Scope 3 emissions, this will mean even more categories of data need to be sourced, converted, and reported to remain compliant. We have therefore recognised the need for systemised IT capability to improve the management of emissions data as the demands of our EAP increase.

Our IT investment for RIIO-GT3 will focus on moving to a new software platform for Carbon Accounting which will assist with the expansion of data collection from multiple entry points, create a consistent data structure, enable automation of conversion metrics and activities and enable the presentation of results through reporting tools.

This systemised capability will allow National Gas to:

- Reduce the risk of human error through reducing the large number of manual interventions.
- Speed up the process of collecting and reporting through automation.
- Improve the confidence of our emission data and output, especially against OFGEM DAG (Data Assurance Guidance) - which recommends the use of reporting systems rather than through manual activities.

**11.2 Optioneering**

The options were selected to contrast the outcome of not investing with alternative ways of achieving the target outputs. Only one alternative is presented as this represents digitalisation of manual processes and will include selection of the most appropriate solution.

Ref.	Option Description	Pros	Cons
DNI	Do Nothing – continue to manually sourced data and a spreadsheet-based system.	<ul style="list-style-type: none"> <li>• No investment needed.</li> <li>• No change to the business needed.</li> </ul>	<ul style="list-style-type: none"> <li>• Continue with inefficient manual process and procedures to collect and translate data.</li> <li>• Increased threat of errors or data risks as expected workload increased, potentially causing non-compliance.</li> <li>• Not utilising the latest technology.</li> </ul>
A	Invest in Carbon Accounting Software  <b>PREFERRED</b>	<ul style="list-style-type: none"> <li>• Productivity is increased by speeding up the processes and procedures relating to data capture and reporting emissions.</li> <li>• Improved consistency and accuracy of data</li> <li>• Reduced risk.</li> <li>• Be able to increase the scope of reporting requirements without additional staffing resource.</li> <li>• Improved access to data</li> <li>• Efficiencies in data management will allow more in-depth trend analysis, investigation and carbon emission reduction initiatives to be developed to address any negative trends.</li> </ul>	<ul style="list-style-type: none"> <li>• Business will have to implement a new system.</li> <li>• Additional workload on Staff to manage large amounts of key data.</li> <li>• Investment cost.</li> </ul>

### 11.3 Preferred option

Option A. It essential that we can continue to fulfil our legal and regulatory reporting requirements in relation to emissions data, this is why we recommend the investment in systemised IT capability to handle our carbon accounting data management.

Without this we are limited in terms of capacity and our ability to mature the key data points that we need to be tracking and reporting against to satisfy our stakeholder, regulatory and statutory obligations. This is the rationale for rejecting the Do Nothing option where manual processes would be unlikely to achieve compliance, even with greater staff capacity and cost.

A new dedicated system would generate efficiencies and provide long-term value for money while enabling our environmental action plan and legal obligations to be better achieved.

#### Consumer / stakeholder benefits

Consumers and regulators are increasingly focused on environmental aspects and this investment will enable us to deliver better quality information, satisfying regulation and the market interest in this topic as we progress towards net zero.

### 11.4 Cost and deliverability

The cost drivers for this investment are in common with other IT investments and are described in the IT & Telecoms Strategy document, section 3.4.3. Costs are for the full scope of deliverables as described above. Deliverability of this investment is in common with other IT investments and are described in the IT & Telecoms Strategy document, section 3.4.5.

The spend profile and delivery plan are shown below.

IT 100 Carbon Accounting							Gartner Benchmark Range		Gartner Rating
Investment (£m)	FY26/27	FY27/28	FY28/29	FY29/30	FY30/31	Totals	Low	High	
Capex	■	■	■	■	■	■	■	■	
Opex	■	■	■	■	■	■	■	■	

IT 100 Carbon Accounting	FY 26/27	FY 27/28	FY 28/29	FY 29/30	FY30/31
New Carbon Accounting Platform - Implementation					
Emerging apps/enhancements					

## 12 Legal capability (IT 092)

### 12.1 Background and scope summary

Problem / Trigger	Strategy	Business Outcome	Primary Regulatory Outcome	Cost sub-category
<ul style="list-style-type: none"> <li>Continuous improvement / higher customer expectations</li> <li>Technology evolution</li> </ul>	Respond and enhance	Effective communications	Secure and resilient supplies	Digital processes

This investment is to continue to invest in our legal support systems by providing ongoing maintenance and support for our existing applications whilst looking at opportunities to deliver continuous improvement through enhancements to our Legal systems, enabling efficiency improvements and increased focus on value-add activities.

There is one investment in this area, as follows:

Platform	Capability	Investment	£m
Corporate Functions	Legal Services Security, Risk & Compliance Environment & Safety	IT 092 Legal Support Systems	■

The National Gas legal team provides expert advice to and partnering across a broad range of legal practice areas including Contracts, Disputes, Prosecutions, Environment, Health, and Safety, Regulatory, Industry Codes and Regulated Contracts, Group Functions and Property and Planning.

#### Problem/ opportunity statement

During RIIO-T2 National Grid implemented Legal Matter Management (LMM) to provide Group Legal with a holistic view of all our Matters. This provided the legal team members with a centralised self-serve functionality reducing the time consumed on the management of Matters. In RIIO-GT3 we will continue to invest in our legal support systems by providing ongoing maintenance and support for Legal Matter Management (LMM). This will continue to provide process efficiencies for our Legal team allowing them to focus on value-add activities.

Without continued investment in our Legal Support systems it may result in.

- Unnecessary spend outsourcing to external panel firms.
- Lack of in-house capability for complex legal case work due to the need of simple research activities.
- Siloed approach and methodology to case-by-case needs.
- Lack of centralised data mining.

We will also look to augment emerging applications and technologies such as AI and automation, and further identify opportunities to save time and generate improved accuracy and efficiencies across the legal function.

This will provide the Legal team with the following benefits.

- Less time to create, store and retrieve legal advice and documentation.
- Standardisation of ways of working and systems used across the legal team.
- Improved employee experience with less frustrating and cumbersome way of working.
- Legal systems will be fully IT supported.
- Better business intelligence by exploiting in house historical case data combined with legal precedents to deliver case insights, trends, and patterns.

## 12.2 Optioneering

The options were selected to contrast the outcome of not investing with alternative ways of achieving the target outputs. These alternatives reflect two contrasting approaches, option A being the continuing with the current systems, with continuous improvement through incremental enhancements, option B being a move to a new solution with additional capabilities.

Ref.	Option Description	Pros	Cons
DNI	Do Nothing – Remain with our existing Legal Support Systems	<ul style="list-style-type: none"> <li>• Lowest cost option</li> </ul>	<ul style="list-style-type: none"> <li>• No funding available for ongoing maintenance and support of our existing legal applications</li> <li>• No scope to provide additional capability for the Legal team.</li> </ul>
A	Remain with our existing Legal Support Systems and look for opportunities to enhance our capability  <b>PREFERRED</b>	<ul style="list-style-type: none"> <li>• The current systems satisfy Legal team requirements.</li> <li>• Provide additional capability to supplement with emerging technology to enable the Legal team to focus on value-add activities.</li> </ul>	<ul style="list-style-type: none"> <li>• Higher cost to implement.</li> </ul>
B	Replace all our existing legal systems with alternative products	<ul style="list-style-type: none"> <li>• Provide the Legal team with market leading applications.</li> <li>• Provide additional capability to supplement with emerging technology to enable the Legal team to focus on value-add activities.</li> </ul>	<ul style="list-style-type: none"> <li>• Highest cost to implement.</li> <li>• The Legal team are comfortable with current applications.</li> <li>• Additional costs of procurement process to replace all applications</li> </ul>

## 12.3 Preferred option

Investment in our Legal systems is required to achieve main business plan outcomes as an essential enabler of business capability and outcomes for the Legal team.

Our recommendation is Option A - Remain with our existing Legal Support Systems and look for opportunities to enhance our capability. This will simplify and streamline the way our legal teamwork, improve visibility into legal risks to support better business decisions and improve collaboration and knowledge sharing among internal and external team members.

The project profile below shows annual investment in continuous improvement enhancements and software maintenance.

### Consumer / stakeholder benefits

Tight legal control provides our customers and stakeholders with a trusted party in the energy industry. Enhanced tools provide efficiencies and long term value for money.

## 12.4 Cost and deliverability

The cost drivers for this investment are in common with other IT investments and are described in the IT & Telecoms Strategy document, section 3.4.3. Costs are for the full scope of deliverables as described above. Deliverability of this investment is in common with other IT investments and are described in the IT & Telecoms Strategy document, section 3.4.5.

The spend profile and delivery plan are shown below. The spend profile is lower than the Gartner benchmark range, this is based on existing license and resource costs with expected inflation costs applied which we anticipate continuing in the RIIO-GT3 period.

IT 092 Legal Support Systems							Gartner Benchmark Range		Gartner Rating
Investment (£m)	FY26/27	FY27/28	FY28/29	FY29/30	FY30/31	Totals	Low	High	
Capex	■	■	■	■	■	■	■	■	
Opex	■	■	■	■	■	■	■	■	

IT 092 Legal Support Systems	FY 26/27	FY 27/28	FY 28/29	FY 29/30	FY30/31
Implementation of Enhancements					
Ongoing license and maintenance costs					

## 13 Governance, Risk and Controls (GRC) capability (IT 093)

### 13.1 Background and scope summary

Problem / Trigger	Strategy	Business Outcome	Primary Regulatory Outcome	Cost sub-category
• Continuous improvement	Respond and enhance	Effective GRC management	Secure and resilient supplies	Digital processes

This investment is to improve our capability through the replacement of the multiple existing systems with a consolidated solution to enable an integrated approach to governance and the management of risk.

There is one investment in this area, as follows:

Platform	Capability	Investment	£m
Corporate Functions	Legal Services Security, Risk & Compliance Environment & Safety	IT 093 Governance, Risk and Controls	■

Our GRC (governance, risk, and controls management) IT systems help us to understand our risks, opportunities, processes, and controls. They help us make better management decisions, as well as being able to respond effectively to disruptive factors and change.

With an ever-evolving external energy landscape, National Gas must ensure we have the agility needed to anticipate and respond to future regulatory change through our IT system in areas such as corporate governance, ESG and ethics compliance.

#### Problem/ opportunity statement

In RIIO-T2 National Grid continued to invest in RSA Archer for management of corporate risk and compliance. When National Gas divested from National Grid, RSA Archer which was on ageing on-premise infrastructure was replaced with more cost-effective solutions utilising M365 for risk and controls management, GDPR PIA assessments, document retention matrices, financial controls and Auditboard for internal auditing. While these applications are suitable for the remainder of RIIO-GT2, they do not give us the long-term agility and capability we need to meet the demands of National Gas.

In RIIO-GT3 we aim to consolidate our Governance, Risk and Controls (GRC) applications with an integrated solution (one or two systems) to serve first, second and third line of defence. This will enable us to holistically track, evaluate and gain insight across our complete risk landscape, and enhance our capability to deliver the following benefits.

- Holistically track, evaluate, and gain insight across our risk and controls landscape.
- Enhanced transparency through improved risk and control recognition with identification of operational efficiencies.
- Ability to demonstrate effective regulatory compliance.

- A consistent and standardised way of working to ensure best practice and operational efficiency.
- Reduces costs associated with duplicate control testing, reporting and actions.
- Improved risk-based decision making.

We will also explore opportunities with our preferred vendor(s) to augment this consolidated solution with emerging technology such as Artificial Intelligence native to the product, for use cases such as chatbots, real-time language translation, workflow automation, probabilistic risk analysis, Generative AI to suggest risks, assess risk score and control efficacy, and Gamification of processes.

Failure to invest in our GRC applications may increase the probability that a risk crystallises without sufficient warning or time to instigate mitigating strategies, causing a direct consequence to the organisation, our network, or the communities we serve.

### 13.2 Optioneering

The options were selected to contrast the outcome of not investing with alternative ways of achieving the target outputs. These alternatives reflect two contrasting approaches, option A being the continuing with the current fragmented systems, with enhancements to address issues, and option B being a move to a new consolidated solution with additional capabilities.

Ref.	Option Description	Pros	Cons
DNI	Do Nothing – Remain with our existing Governance, Risk and Controls Systems	<ul style="list-style-type: none"> <li>• Lowest cost option</li> </ul>	<ul style="list-style-type: none"> <li>• Current M365 solutions could be prone to errors, having been manually created.</li> <li>• Dependency on developers that built each of the M365 solutions.</li> <li>• Lack of integration between the M365 solutions resulting in manual data loads and potential human errors.</li> <li>• Siloed approach for GRC with no single source of the truth.</li> </ul>
A	Remain with our existing Governance, Risk and Controls Systems and look for opportunities to enhance our capability	<ul style="list-style-type: none"> <li>• The current systems satisfy the Governance, Risk and Controls team’s requirements.</li> <li>• Provide additional capability to supplement with emerging technology to enable the Legal team to focus on value-add activities.</li> <li>• Enhanced capability using emerging technology.</li> </ul>	<ul style="list-style-type: none"> <li>• Higher cost to implement.</li> <li>• Current M365 solutions could be prone to errors, having been manually created.</li> <li>• Dependency on developers that built each of the M365 solutions.</li> <li>• Lack of integration between the M365 solutions resulting in manual data loads and potential human errors.</li> </ul>
B	Consolidate our Governance, Risk and Controls (GRC) applications to provide a strategic solution and look for opportunities to enhance our capability  <b>PREFERRED</b>	<ul style="list-style-type: none"> <li>• Holistic platform to serve first, second and third Line of defence.</li> <li>• More effective regulatory compliance.</li> <li>• Improved risk-based decision making.</li> <li>• Drive business performance.</li> <li>• Enhanced capability using emerging technology.</li> <li>• Enhanced transparency, reducing the cost of maintaining risk and controls by providing operational efficiencies.</li> </ul>	<ul style="list-style-type: none"> <li>• Highest Cost to implement.</li> <li>• Business change impact.</li> <li>• Migrating data from existing applications may be complex.</li> </ul>

### 13.3 Preferred option

Investment in our Governance, Risk and Controls systems is required to achieve main business plan outcomes as an essential enabler of business capability and outcomes for the Risk and Assurance and Internal Audit teams.

Our recommendation is Option B: Consolidate our Governance, Risk and Controls (GRC) applications with one or two strategic platforms and look for opportunities to enhance our capability.

This will provide greater collaboration and consistency across the business in our risk, assurance and internal audit teams by embedding best practice approaches with transparent data sharing to inform insight and decision making.

#### Consumer / stakeholder benefits

Governance, risk and controls processes are critical to the safe management of our business processes and in turn to the continuing delivery of secure and resilient supplies to our consumers.



### 13.4 Cost and deliverability

The cost drivers for this investment are in common with other IT investments and are described in the IT & Telecoms Strategy document, section 3.4.3. Costs are for the full scope of deliverables as described above. Deliverability of this investment is in common with other IT investments and are described in the IT & Telecoms Strategy document, section 3.4.5.

The spend profile and delivery plan are shown below.

IT 093 Governance, Risk and Controls							Gartner Benchmark Range		Gartner Rating
Investment (£m)	FY26/27	FY27/28	FY28/29	FY29/30	FY30/31	Totals	Low	High	
Capex	■	■	■	■	■	■	■	■	
Opex	■	■	■	■	■	■	■	■	

IT 093 Governance, Risk and Controls	FY 26/27	FY 27/28	FY 28/29	FY 29/30	FY30/31
Implementation of Consolidated Solution – Phase 1	➔				
Implementation of Consolidated Solution – Phase 2 – Enhancements and additional modules		➔			
Ongoing license and maintenance costs			➔	➔	➔

## 14 Outcomes, priorities, commitments and price control deliverables

### 14.1 Ofgem outcomes

Select all priorities that are supported by this programme/scheme.

- Secure and resilient supplies
- High quality of service from regulated firms
- System efficiency and long-term value for money
- Infrastructure fit for a low-cost transition to net zero

#### 14.1.1 How will the programme/scheme support the regulatory priority/priorities?

**Secure and resilient supplies.** Nine investments support this outcome, covering finance, procurement, communications, legal / governance, safety and carbon accounting. These focus on the fundamental back office processes that secure our operation and deliver a safe and reliable service.

**System efficiency and long-term value for money.** Seven investments support this outcome, focusing on process improvements in finance, procurement, and HR. These process improvements drive efficiencies and deliver improved value for money.

### 14.2 Our business priorities

Select all priorities that are supported by this programme/scheme.

- Drive positive environmental and community impact
- Shape the energy markets of the future
- Operate safely, reliably and flexibly
- Invest in our people, grow our capability, and value everyone’s contribution
- Deliver sustainable value for customers and stakeholders

### 14.2.1 How will the programme/scheme support our business priority/priorities?

**Operate safely, reliably and flexibly.** Investments in SHE, finance, procurement and legal / governance ensure that we operate in a safe and reliable manner, directly supporting the front line processes of asset management and operations.

**Deliver sustainable value for customers and stakeholders.** Process improvements in finance, procurement, and HR drive efficiencies and deliver improved value for money.

**Invest in our people, grow our capability, and value everyone's contribution.** Investments in HR and communications are focused on our people, ensuring that they have the knowledge and skills to be able to perform their roles excellently.

**Drive positive environmental and community impact.** The investment in Carbon Accounting is aligned closely to this priority, ensuring that we are able to monitor and manage the carbon cost of our operations.

### 14.3 Price control deliverables

Not applicable.

### 14.4 Commitments

The principal commitment supported by these investments is 12: Transforming our activities through our IT and data. Other commitments are supported by specific investments in particular functional areas of HR (#9: Investing in our people and our capability for the future) and Corporate (#8: Caring for our environment and communities).

Ref	Investment Line	Commitment
IT 081	Finance Modernisation	12
IT 082	Process Automation	12
IT 083	Treasury Management System	12
IT 084	S2P: Existing System Efficiencies	12
IT 085	S2C: New Digital Capability	12
IT 086	Procurement Policy IT Compliance	12
IT 087	Expense Management	12
IT 088	Intranet	12
IT 089	Internal channels	12
IT 090	Nationalgas.com	12
IT 092	Legal support systems	12
IT 093	Governance Risk and Controls	12
IT 094	Safety incident management and SHE related systems	12
IT 095	People Systems including People Systems AI & HR Policy Compliance	9, 12
IT 098	Digital Learning & Competence	9, 12
IT 100	Carbon Accounting	8, 12

## 15 Conclusion

The investments in this IJP cover our back-office functions which provide essential support to the core value-add functions of the business such as asset management and operations. These back-office functions provide indirect value to customers and stakeholders, typically benefitting internal 'customers' in NGT core functions. The exception to this is our external communications through nationalgas.com.

Investments in this paper support two Ofgem key outcomes: Secure and Resilient Supplies (9 investments, Totex £ [REDACTED]) and System Efficiency and Long-Term Value for Money (7 investments, Totex £ [REDACTED]) with a total of £74.424m.