



**Shaping the future  
gas transmission system**

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## Shaping the future gas transmission system

Business Plan Overview  
Our credible plan

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# 1. Introduction

In July 2024, we submitted the basis of our RIIO-GT3 business plan to Ofgem. We continue to develop our stakeholder led business plan as we finalise it before submitting to Ofgem in December 2024.

The Business Plan Overview: Our Credible Plan document forms part of our RIIO-GT3 communications and engagements and should be read alongside our suite of Business Plan Overview documents.

We are seeking customers' and stakeholders' views between 12 August and 11 September, on our overall plans and are inviting responses to our survey.



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**1. Business Plan Overview:**  
Summary and stakeholder engagement



**2. Business Plan Overview:**  
Vision and investments



**3. Business Plan Overview:**  
Benefits for customers and consumers



**4. Business Plan Overview:**  
Our credible plan



**5. Business Plan Overview:**  
Incentives consultation

This document provides detail on how we're assuring that our plan will be credible, deliverable and financeable.



## 2. Confidence we will deliver our plan

### 2.1 RIIO-T2 performance

Our current price control period, RIIO-T2, runs from April 2019 to March 2026. This section describes our performance to date and the lessons learned that we shall apply in RIIO-GT3. For further detail, please see our [Regulatory Reporting Pack](#)<sup>1</sup>.

Our performance remains on track to deliver our regulatory outputs for RIIO-T2. We forecast spend within allowances and continue to prioritise investment that delivers best value and removes risk on the network.

We also seek to agree additional allowances through uncertainty mechanisms where optioneering has concluded and preferred solutions have become known.

We have facilitated the delivery of 100% of gas requirements for customers by ensuring that our regulatory commitments to industries and Gas Distribution Networks have been fulfilled.

We have also performed well against the three consumer priorities:

- Maintaining a safe and reliable network.
- Meeting the needs of consumer and network users.
- Delivering an environmentally sustainable network.

Unforeseen events within the first two years of the control period have contributed to slower than planned progress in the delivery of our capital plan.

Lack of access to the network owing to global events, such as the Ukraine war and resulting volatility in the gas market, has resulted in increased compressor running hours (~55% in 2022/23 compared to 2021/22) and a four-fold increase in exports through European interconnector. A necessary rephasing of works to be delivered will therefore see increased activity during the final years of RIIO-T2.

We are actively managing the risk associated with Cyber Security Operational Technology. The inability to obtain required gas outages, the impact of the Ukraine war upon delivery of our control system programme and the complexity of projects have necessitated a rephasing of our cyber investments.



#### Lessons learned

We are performing increased targeted surveys to improve the confidence in our RIIO-GT3 plan. This information helps us to better understand the extent, complexity and variables associated with any remedial works which enables, improved outage scheduling, bundling opportunities, cost forecasts and procurement strategies to be established.

We shall begin preparatory works for RIIO-GT3 earlier in our processes, ordering long lead items to ensure there is no undue delay to project delivery commencement.

We have started to utilise our in-house Operations team to deliver works, enabling accelerated delivery and optimisation of our capital programme.

The strategic planning and survey work that we undertook in year one of RIIO-T2 has been instrumental in effectively prioritising workload, identifying bundling opportunities and optimising resource allocations. By accelerating this effort for RIIO-GT3 we can ensure appropriate resources, plans and long lead items are in place for us to commence delivery of works without delay.



### 2.2 Deliverability

We are finalising our deliverability assessment of our RIIO-GT3 business plan and will be applying rigorous checks as part of our business planning processes to ensure we have confidence in our ability to deliver.

Our plan is ambitious, so being clear that we can deliver upon our defined outputs has been paramount. Validating our plan is Financeable is also essential; this is detailed within the Finance chapter.

To meet desired regulatory outputs whilst balancing externally driven uncertainties (uncertainty in the energy landscape, supply chain challenges, global cost pressures etc), our RIIO-GT3 plan is anticipated to have a higher workload in comparison with previous regulatory periods.

This has required us to evolve our thinking beyond our proven BAU processes, deriving new delivery strategy principles that provide us with the capability to deliver an increased capital programme.

Bolstered by our digitalisation strategy, we will improve how we analyse, handle and share data, accelerating operations and unlocking operations efficiencies and benefits to customers, enabling enhanced decision making and subsequent plan optimisation.

This allows us to deliver our regulatory outputs whilst maintaining low costs to consumers, adapt to uncertainties and deliver our decarbonisation targets.

Whilst this plan is for the methane network, as an organisation, we must continue to grow and evolve our hydrogen capability.

This will ensure we can facilitate the important role we must play in the transition to, and delivery of a net zero economy, supporting the decarbonisation of power, industry, transport and heat, delivering a clean energy future for all.

Our asset management plan has been considered over a ten-year period to optimise network outages and minimise network disruption, costs and constraints for our customers.

<sup>1</sup> <https://www.nationalgas.com/about-us/riio-2-2021-2026/how-we-are-performing>

## 2. Confidence we will deliver our plan

### 2.2 Deliverability

The first five years of this plan has been assessed against four key areas:

#### 1. Our people

Our people are key to delivering our ambitious plans. We have long-term plans to make sure we have a resilient, diverse, technically skilled and highly engaged workforce that is fit for the future.

Workforce resilience is about having the right number of people with the right skills, the right healthy mindset and work-life balance, and diversity that reflects the society we serve.

We invest heavily in the development of our people to ensure that we have a technically skilled, inclusive and highly engaged workforce, who are committed to what we need to achieve, feel enabled to deliver to the best of their abilities and can thrive.

The aim of which is to provide our business with the resilience it needs to deliver for consumers now and in the future.

We have evolved our Strategic Workforce Plan to ensure that we understand the resources required to deliver our capital investment programme; all critical resources required have been identified throughout the investment lifecycle to ensure successful delivery of the investments (on cost, on time and in full) proposed in RIIO-GT3.

This assessment extends to resources required across all business functions, including both delivery and supporting resource.

#### 2. System access

We continue to develop our access plan over a 10-year period to optimise network outages, however, system access becomes more constrained in RIIO-GT3 and has the potential to significantly constrain our ability to fully deliver our capital plan.

We must fully utilise available outages to deliver optimal packages of work, bundling to minimise the risk of future outages on the same assets.

We have therefore moved towards a shutdown approach on the network and are extending the typical outage period to include shoulder months (March and November).

This novel approach and extended period of network access will provide additional capacity and flexibility in which we can better manage bundled packages of work.



### 3. Delivery strategy

We are developing our delivery strategy for each investment theme, including contracting approaches and optimal use of internal capability.

We will ensure lessons learned from RIIO-T2 delivery initiatives are embedded into our RIIO-GT3 strategy with a strong focus on building a resilient supply chain for RIIO-GT3.

Through understanding our delivery strategies for investment themes, we can plan investments cognisant of lead times and mobilise on site delivery in year one.

There are several focus areas around; scarcity of resource, materials/long-lead timelines, collaborative procurement approaches and right sized contractors to deliver interventions we are considering.

Our delivery strategy principles include:

- Performing a shutdown approach across the network;
- undertaking a systematic refurbishment of the NTS;
- maximising bundling within outages (outage and non-outage work);
- minimising the number of visits to the same location within a regulatory period;
- ensuring our delivery and sanctioning strategies support and align to proposed bundling approach;
- contractors and procurement strategies will be aligned to proposed bundling and sequence in our RIIO-GT3 plan;
- procurement and contracting approaches will use a Technology Agnostic approach;
- resource model supports and aligns to all workstream requirements;
- plan agreed and “fixed” for at least 18 months ahead and visible to stakeholders and supply chain.



### 4. Supply chain

We have a robust supply chain with access to a wide market to procure the goods and services we need, and we use proven approaches and strategies to deliver efficiently and on time, at lowest cost to consumers.

There have been challenges recently from a supply chain perspective in light of macro-economic, political, instability factors that have made securing capacity more difficult.

The growing demand in utilities and infrastructure has further compounded these concerns, however, we feel through creating longer term partnership/collaborative arrangements we can overcome these difficulties and deliver the volumes required.

As always, we will keep the deliverability of our plan under review. Our planning cycle is a continuous process, and our plan will continue to be refreshed in the lead up to and throughout RIIO-GT3.

This will make sure it remains flexible to reflect stakeholder engagement and the uncertainty in the energy landscape.

Procurement and Supply chain have begun testing capacity of our supply chain against generic values and volumes.

This has created a matrix of our existing supply chain by theme and the investment they could deliver. Indicatively when compared to our AMP (albeit not finalised, constrained or phased) we are showing generally a good coverage.

We have some pockets of new interventions or growth areas we need to focus on but given the time available until RIIO-GT3 begins we believe we can secure the market capacity.

## 2. Confidence we will deliver our plan

### 2.3 Adapting to uncertainty

Uncertainty Mechanisms (Ums) exist to allow price control arrangements to respond to change and our proposed UMs are designed to allocate risk to whoever is best placed to manage it.

We have protected end consumers and ourselves (as the licensee) from unforecastable risk or change in circumstance, by proposing UMs for where we have reduced scope, volume or cost certainty.

This ensures that if customer or consumers' needs change so do our allowances.

We have proposed the continuation and/or adaptation of RIIO-T2 UMs where they remain relevant, together with the addition of new bespoke UMs.

We are proposing UMs to help manage external drivers (e.g. environmental threats, third party encroachment etc) that may trigger a need to intervene; where optioneering has not concluded and the feasibility of lower cost options is unproven (e.g. technology currently being assessed for operational viability), or where the full scope of work is unconfirmed.

### 2.4 Financing our plan

National Gas Transmission plays a crucial role in the energy sector and our investment plans are key to delivering what our stakeholders require in RIIO-GT3 – a safe, reliable and resilient network. To do this, as with all energy infrastructure companies with significant investment plans in the next price control period, we must retain and attract capital at a reasonable cost.

#### From RIIO-T2 to RIIO-GT3

The economic conditions and the capital markets for RIIO-GT3 are vastly different to when the financial package for the current price control period was set.

Since the start of RIIO-T2, the UK and energy industry has experienced:

- a significant rise in borrowing costs, with the Bank of England rate increasing from 0.1% at the beginning of the RIIO-T2 period to 5.25% in July 2024. UK gilt rates (the rate the UK Government pays on its borrowing) increased by around 3.5% over the same period.
- many competing opportunities for investors as countries and industries seek progress towards net zero and improvements in infrastructure, resulting in a competition for capital.
- growing investor uncertainty in the transition away from gas into future technologies. This is due to the lack of clarity on new business models and how legacy issues, such as asset stranding and decommissioning, will be addressed. This results in higher borrowing costs at a time when investment is needed to facilitate net zero whilst maintaining a resilient network.

Due to these external influences, a 'roll forward' of the principles applied to set the Allowed Return at RIIO-T2 will be insufficient. Investability should reflect:

- an appropriate Cost of Debt allowance that recognises the realities of the debt market for gas entities;
- an appropriate Cost of Equity allowance that reflects the reality of competition for investment and allows us to retain and attract sufficient capital;
- an approach to addressing stranding and decommissioning risks that recognises the significant opportunity to reduce costs of all gases we transport for consumers, by repurposing assets for hydrogen and carbon capture usage and storage (CCUS).

Ofgem, in its Sector Specific Methodology Decision (SSMD), made some changes that aim to address these issues and we look forward to continuing to work with Ofgem as the process of setting the financing package parameters progresses.



## 2. Confidence we will deliver our plan

### 2.4 Financing our plan

#### Financial resilience

At National Gas Transmission, we take financial resilience very seriously. Our financing strategy focuses on regulatory compliance (particularly gearing levels) and delivery of the plans we committed to as central pillars.

We are already compliant with key aspects of new requirements Ofgem included in its SSMD, notably by holding more than one investment grade credit rating.

We consider Ofgem's proposals on credit ratings, dividend lock-up thresholds and the requirement for greater disclosure on the governance and operation of network financing strategies to be sufficient.

These measures align with the key principles of the RIIO framework that allows networks to set their own financing strategy within appropriate guiderails, whilst recognising that responding to the evolving risks in this area is appropriate.

#### Impact on consumers

The RIIO framework means that we can make significant investment with limited impact on consumer bills. This is because we recover our investments over the period consumers use the assets, which in our current price control is set to 45 years.

We are still refining our plans, and we will continue to discuss our approach and accompanying financial package with Ofgem.

Scenarios show that we can deliver our investment plans for less than a £1 per year increase in the average consumer bill versus 2023/24. This is estimated in the same way as we calculate our annual KPI and takes into account the proportion of our revenue estimated to be recovered from end consumers.

You can read more about calculating the "network costs" in [Ofgem's explanation](#).

#### Key dates

Draft BPDT submission date	
Draft EJP submission date	31 July
Draft CBA submission date	
Business Plan Overview documents published on our website	12 August
Stakeholder consultation window	12 August to 11 September
Final Business Plan submission	11 December
Final Business Plan published online	18 December
Open Call for Evidence	18 December
Close Call for Evidence	10 February 2025
RIIO-GT3 price control period	April 2026 to March 2031



[click here](#)

### Share your views with us

Scan or click the QR code to complete our online form, or email your feedback to [box.RIIOGT3@nationalgas.com](mailto:box.RIIOGT3@nationalgas.com)

The consultation period is now open and runs until 11 September 2024.



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