

CROSS SECTOR	
REFERENCE NUMBER:	CATEGORY: Close out
LICENCE CONDITION NUMBER: <i>(if relevant):</i>	CS30 (ET and GT SpC 7.6)
TITLE:	Close out of the RIIO-1 Network Outputs
RELEVANT LICENCE CONSULTATION QUESTIONS <i>(if any):</i>	
RELEVANT ISSUES LOG:	Cross Sector Sept Issues logs_CS1_CS2_CS30_IssuesLog_Master
POLICY ISSUES	
<ul style="list-style-type: none"> 7.6.3 	<p>FOR GT:</p> <ul style="list-style-type: none"> We disagree with the proposed submission date of the close out report of 31 July 2021 for the following reasons: <ul style="list-style-type: none"> Ofgem has previously delayed the RIIO-1 closeout workflow for various reasons including COVID-19 and there has been no further conversation on the proposed next steps and timeframe to continue this work. We are awaiting decisions regarding the required Network Replacement Output closeout report (detailed below), which have been delayed by Ofgem. We would welcome a review of the date of the required close out report alongside a review of the timescales defined in the NOMs Incentive Methodology (chapter 5). The NOMs Incentive Methodology published by Ofgem on the 6 December 2018 clearly specified that symmetrical upper and lower materiality thresholds should be used when Ofgem assesses our compliance with the overall network target at the end of the price control period. As part of the publication of the NOMs Incentive Methodology no decision on the level of the materiality threshold for Gas Transmission was made following Ofgem's decision to delay until a better understanding of the degree of robustness of the data that would support the performance on NOMs outputs would be achieved. We believe following the extensive rebasing exercise and equally challenging tests by Ofgem in 2018 and 2019, Ofgem should now be able to make this decision. We have asked Ofgem on several occasions (for example in our response to the Gas Transmission Network Output Measures Rebasing Consultation in April 2020 and in the LDWG issue logs) to clarify when and how the decision on thresholds will be made. We will not be able to produce

	a closeout report following the proposed assessment process described in the NOMs Incentive Methodology as the thresholds have a significant impact on this process by Ofgem.
DRAFTING ISSUES	
<ul style="list-style-type: none"> Title (and throughout SpC 7.6) 7.6.1 7.6.3 7.6.1 7.6.4 7.6.5 Appendix 1 	<ul style="list-style-type: none"> Our RIIO-1 licences (GT Special Condition 7E and ET Special Condition 2M) “Specification of Network Replacement Outputs” specify the Network Replacement Outputs we have to deliver by the end of the RIIO-1 price control period. The title and term referred to throughout the SpC 7.6 is Network Outputs, which can be misleading to the outputs we had to deliver for NOMs in RIIO-1. We recommend amending the wording in the SpC 7.6 to “Close out of the RIIO-1 Network Replacement Outputs”. Replace “deciding” in line 1 with “calculating”. “RIIO 1 Justified Material Under delivery” is not defined and should be referred to in full Line 3 should refer to “the Transportaion Owner legacy adjustments term” In SpC 7.6.4, we suggest “<i>in accordance with the principles in Appendix 1, as supplemented by the NOMs Incentive Methodology</i>”. To the extent Appendix 1 needs to be clarified, we suggest the drafting should be changed. 7.6.5 should specify the timeframe within which the Authority will direct the value of NOCO Unlike “cost of over-delivery”, we do not consider that “cost of under-delivery” is clear and request that the drafting is clarified, in line with the position set out in the methodology.
FINANCE ISSUES	
<ul style="list-style-type: none"> PCFM input 	<ul style="list-style-type: none"> The PCFM does not include specific inputs for all RIIO-1 close out (legacy) terms. For example, there are separate input boxes for legacy MOD terms, but not for other legacy items from the LAR licence condition including NOCOt. There is a “RIIO-2 legacy price control adjustments to allowed revenue” input but it is not clear what should be included within the Variable Value. The individual terms which make up LAR, including NOCOt, should all have separate variable value inputs within the PCFM.
SUPPORTING INFORMATION	
OFGEM ENGAGEMENT:	