

CROSS SECTOR	
REFERENCE NUMBER:	CATEGORY:
LICENCE CONDITION NUMBER: <i>(if relevant):</i>	SpC3.5
TITLE:	Reopener Guidance – Appendix 2 Non-operational IT and Telecoms (IT&T) Capex Re-opener Application Guidance
RELEVANT LICENCE CONSULTATION QUESTIONS <i>(if any):</i>	Core Document Q17 – Do you agree with our proposal for the Non-operational IT and Telecoms capex re-opener ?
RELEVANT ISSUES LOG:	SpC 3.5 IT Non Op Capex Re-opener
POLICY ISSUES	
<ul style="list-style-type: none"> General Need Case Consistency of assessment 	<ul style="list-style-type: none"> General - We wish to highlight that the list of reopener application content is comprehensive, aspirational and idealistic. However, it is to be expected that it will not always be possible for the level and depth of project plans & details expressed as being required by the guidance to be in place ahead of establishing a regulatory funding stream. Therefore, we strongly urge that a similar approach is adopted in this guidance as has been adopted in the cyber IT and OT guidance and that the guidance acknowledges this through the inclusion of the caveat that “There may be some projects/solutions where network companies will not be able to provide the necessary level of details listed within this section”. We see no valid reason for departing from such an approach in this guidance. As we have suggested in relation to the cyber guidance, guidance should go further and confirm that, in light of this acknowledgement, the inability of a licensee to provide the necessary level of details listed in the Appendix will not prejudice the assessment of the application where the licensee provides an explanation for the missing information. General – It is appropriate that the guidance shall also stipulate expectations on Ofgem for how it will assess reopener applications, e.g. that it will give full transparency of the data sources, consultant reports, evidence and assumptions it relies upon in support of its decisions. For Non-operational Capex IT projects that were included in a licensee’s Business Plan, (but in relation to which no allowance has been provided to date but the needs case and justification for which was assessed as being appropriate), an updated needs case would be unnecessary and inefficient for licensees and Ofgem. We feel strongly that there is merit in aligning the re-opener assessment process and requirements with that applied to the IT & T projects submitted in the business plan. Whether already in the plan or newly identified all projects will be delivered within the RIIO-2 period and so subject to the same underlying regulatory framework. This

	<p>re-opener guidance should identify the four assessment areas of; Project Justification, Project Definition, Project Resources and Cost Assurance. Networks have also developed a working understanding of this approach which should lead to improved quality of re-opener submissions. For example, within National Grid we have developed and utilised what we understand was a useful template approach to cover these elements.</p>
<ul style="list-style-type: none"> • 1.3 	<ul style="list-style-type: none"> • Focusing the demonstration of need case around only risk creates a narrow view of what IT & T capex achieves. The section should additionally consider need, requirements and capabilities that will be maintained and/or enhanced through investment. Such terms should be used in addition to risk.
<ul style="list-style-type: none"> • 1.4 etc 	<ul style="list-style-type: none"> • For 1.4 and subsequent sections, information provided should be appropriate and proportionate to justify the investment sought. Inclusion of the suggested acknowledgement in the introductory paragraph would be helpful in these regards recognising that not all information needs be included provided explanation is given. We would also point to paragraphs 3.7 and 4.7 of the FIOC re-opener guidance which helpfully recognises that a proportionate approach is required and that therefore the cost / complexity of a project may, where appropriate, provide a justification for not providing a particular item of information. • As highlighted above regarding consistency of assessment we suggest these sections be aligned to the four assessment areas of; Project Justification, Project Definition, Project Resources and Cost Assurity.
<ul style="list-style-type: none"> • 1.6 	<ul style="list-style-type: none"> • 1.6 - The bullet list here includes several items that do not appear to relate to IT & T investments. Mentioning sites and asset in several places. We suggest this be replaced with an outline of project definition requirements.
<ul style="list-style-type: none"> • 1.10 	<ul style="list-style-type: none"> • 1.10 - We support that network companies should have latitude to adopt different project management techniques as they see fit including the use of agile delivery methods. However, we do not think it is appropriate for this type of guidance document (which ought to be agnostic to project management toolset) to devote an entire section to guidance on the use of agile delivery methods.
<ul style="list-style-type: none"> • 1.11 – 1.13 	<ul style="list-style-type: none"> • 1.11 - 1.13 - These paragraphs are not helpful in the context of IT & T investments. They are potentially not required at all given the following section 1.14 – 1.16 which effectively reflect requirements the same or similar to those used to assess initial business plans.
<ul style="list-style-type: none"> • 1.13 	<ul style="list-style-type: none"> • 1.13 – The bullet list here is confusing when considered against the requirements of 1.11 to “justify the need and amount of allowance required per project”. The language could be interpreted to mean the full and already funded capex plans. To do so would be unnecessary and inefficient for networks and Ofgem. 1.13 and any points in

	the bullet list should be clear that it is in reference to the requests to fund additional IT & T projects as is the scope of the re-opener.
DRAFTING ISSUES	
<ul style="list-style-type: none"> cover page Page 4, introductory paragraph 1.2 1.3 1.5 1.6 1.7 1.8 and 1.9 1.11 -1.13 Cost information section 1.15 	<ul style="list-style-type: none"> should refer to “guidance document” not “governance document” Please see our policy comments above. This introductory paragraph should include a similar acknowledgement to that included in the cyber guidance that “There may be some projects/solutions where network companies will not be able to provide the necessary level of details listed within this section”. We see no reason for the two appendices to adopt different approaches in this regard. Suggest references to “network companies” / “network company” are changed to refer to “licensees” / “licensee” for consistency with other paragraphs and that such approach is adopted throughout. See policy comment above in relation to 1.3. We suggest “need, requirements and capabilities” are additionally included along side risk. We suggest this is amended to read “For non-operational IT & T capex re-opener applications, licensee must include the information set out in paragraphs....” See policy comment above in relation to 1.6. We suggest this is amended to read “the licensee must demonstrate that it has carried out...” see comment at 1.2. Refer to “licensee” not “network company”. Please see policy comments above on these paragraphs. 1.11-1.16. The relevant paragraphs of the cost information section that are retained (see comment above) should be framed in the same manner as earlier paragraphs, i.e. “For non-operational IT&T capex re-opener applications, the licensee must...” refer to “licensee” not “network company” throughout 1.15

FINANCE ISSUES	
SUPPORTING INFORMATION	
OFGEM ENGAGEMENT:	