

Consultation

Wales and West Utilities Non-Operational IT Capex Re-opener Draft Determination

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We are consulting on Wales and West Utilities' (WWU) Non-Operational Information Technology (IT) Capex Re-opener submission, which was submitted in the 28 August 2023 to 15 September 2023¹ Re-opener window.

We particularly welcome responses from people and companies with an interest in electricity and gas transmission or distribution. We also welcome responses from other stakeholders and the public.

This document outlines the scope, purpose and questions of the consultation and how you can get involved. Once the consultation is closed, we will consider all responses. We want to be transparent in our consultations. We will publish the non-confidential responses we receive alongside a decision on next steps on our website at [ofgem.gov.uk/consultations](https://www.ofgem.gov.uk/consultations). If you want your response – in whole or in part – to be considered confidential, please tell us in your response and explain why. Please clearly mark the parts of your response that you consider to be confidential, and if possible, put the confidential material in separate appendices to your response.

¹ This is an additional authority triggered window for the Non-Operational IT Capex Re-opener. The original fixed window within the licence was 23 January 2023 to 30 January 2023. [Direction for New IT and Cyber Re-opener Windows 2023 \(ofgem.gov.uk\)](https://www.ofgem.gov.uk/direction-for-new-it-and-cyber-re-opener-windows-2023)

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1. Introduction

Section summary

This section provides an explanation of WWU's submission, our assessment process, and how we will handle this consultation process.

Introduction to RIIO-2

- 1.1 Network companies are natural monopolies. Effective regulation of privatised for-profit monopolies is essential to ensure they cannot unfairly exercise their monopoly power to the detriment of their customers. This is particularly important in the case of essential utilities, such as energy, where consumers have no choice on whether or not to pay what they are charged. It is therefore crucial that an effective regulator protects energy consumers by controlling how much network companies can charge their customers. Ofgem does this through periodic price controls that are designed to ensure network companies are properly incentivised to deliver the best possible outcomes for current and future energy consumers. This includes ensuring that consumers only pay for investments that are needed and do not overpay for those investments.
- 1.2 The current price control model is known as RIIO (Revenue = Incentives + Innovation + Outputs). RIIO-2 is the second price control under the RIIO model for electricity transmission, gas transmission and gas distribution, and runs from 1 April 2021 until 31 March 2026. It includes a range of Uncertainty Mechanisms (UMs) that allow us to assess applications for further funding during RIIO-2 as the need, cost or timing of proposed projects becomes clearer. This ensures that consumers fund projects only when there is clear evidence of benefit, and we have clarity on likely costs and cost efficiency. These mechanisms also ensure that the RIIO-2 price control has flexibility to adapt as the pathways to Net Zero become clearer.
- 1.3 Where possible, we have set automatic UMs, such as the Generation and Demand Connection Volume Drivers, which provide some network companies with immediate funding when they are required to undertake new customer connection works. In other areas, where the degree of uncertainty is too great to allow for an automatic mechanism, we set 're-openers' which will allow us to assess proposals robustly once information with sufficient accuracy is made available.

- 1.4 The Non-Operational IT Capex Re-opener provides network companies with specific windows within the RIIO-2 period where they can request additional funding for new and replacement IT assets, including hardware, infrastructure, and software development projects, some of which may be critical for achieving Net Zero.

What are we consulting on?

- 1.5 We² are consulting on adjusting WWU's Non-operational Information Technology (IT) Capital expenditure (Capex)³ outputs and allowances under the RIIO-2 Non-operational IT Capex Re-opener ("the Re-opener").
- 1.6 In accordance with Special Condition 3.7 (Non-operational IT Capex Re-opener), WWU has applied to Ofgem to add additional allowances for Non-operational IT projects into its RIIO-2 price control framework. It has applied under 3.7.6 (b) "the licensee identifying activities capable of improving the efficiency or performance of its Non-operational IT Capex".
- 1.7 Throughout this document, all monetary figures are in 2018/19 prices, to align with the original RIIO-2 price base. Parts of this document have been redacted, for example where the content relates to market sensitive information or Critical National Infrastructure. Where this is the case, it will be clearly shown by black redacted boxes over the relevant text.

Consultation approach

- 1.8 We are issuing this consultation following our assessment of WWU's re-opener application. This document explains our assessment of that application and the adjustments we are proposing to make to WWU's licence, including adjustments to allowances and the addition of any Price Control Deliverables (PCD).
- 1.9 We considered WWU's application and its justification for the funding requested in accordance with our principal objective and statutory duties. In line with the Re-opener Guidance and Application Requirement Document⁴, our assessment of each project covers the three following areas:

² The terms "we", "us", "our", "Ofgem" and "the Authority" are used interchangeably in this document and refer to the Gas and Electricity Markets Authority. Ofgem is the office of the Authority.

³ Expenditure on new and replacement IT assets, including Hardware & Infrastructure and Application Software Development

⁴ [Re-opener Guidance and Application Requirements Document: Version 3 | Ofgem](#)

- the needs case
 - the options assessment and the justification for the proposed project
 - the efficient costs for the proposed project
- 1.10 As per the Reopener Guidance, we are satisfied that WWU has included the description of its overall strategy and current operations covering non-operational IT capex investments, including a description of:
- IT strategy
 - Evidence within the IT strategy of the role it plays in facilitating the business to achieve its business objectives
 - Overall IT plan dependencies

We rely on our assessment of these 3 areas in coming to our Draft Determination on what additional allowances, if any, should be provided to WWU to undertake the project.

- 1.11 We will implement our decision from this consultation by way of a formal direction, which we intend to issue alongside our decision. A draft of the direction is provided in Appendix 1, subject to consultation responses.

Context and related publications

- 1.12 The scope of this consultation is limited to WWU's Non-operational IT Capex Re-opener. This document is intended to be read alongside:
- the RIIO-2 Draft Determinations – Core Document, Chapter 7⁵
 - the RIIO-2 Final Determinations – Core Document (REVISED), Chapter 7, page 78⁶
 - WWU's Licence Special Conditions 3.7⁷
 - RIIO-2 Re-opener Guidance and Application Requirements Document⁸.

⁵ [RIIO-2 Draft Determinations - Core Document \(ofgem.gov.uk\)](https://www.ofgem.gov.uk/system/files/docs/2021/02/final_determinations_core_document_revised.pdf)

⁶ https://www.ofgem.gov.uk/system/files/docs/2021/02/final_determinations_core_document_revised.pdf

⁷ [EPR 2013 - Index \(ofgem.gov.uk\)](https://www.ofgem.gov.uk/system/files/docs/2013/02/epr_2013_index.pdf)

⁸ See footnote 4 above

Consultation stages

Figure 1: Consultation stages

Stage 1	Stage 2	Stage 3	Stage 4
Consultation open	Consultation closes (awaiting decision). Deadline for responses	Responses reviewed and published	Consultation decision
27/03/2024	28/04/2024	July 2024	July 2024

How to respond

We want to hear from anyone interested in this consultation. Please send your response to the person or team named on this document's front page.

We've asked for your feedback in each of the questions throughout. Please respond to each one as fully as you can.

We will publish non-confidential responses on our website at www.ofgem.gov.uk/consultations.

Your response, data and confidentiality

You can ask us to keep your response, or parts of your response, confidential. We'll respect this, subject to obligations to disclose information, for example, under the Freedom of Information Act 2000, the Environmental Information Regulations 2004, statutory directions, court orders, government regulations or where you give us explicit permission to disclose. If you do want us to keep your response confidential, please clearly mark this on your response and explain why.

If you wish us to keep part of your response confidential, please clearly mark those parts of your response that you *do* wish to be kept confidential and those that you *do not* wish to be kept confidential. Please put the confidential material in a separate appendix to your response. If necessary, we'll get in touch with you to discuss which parts of the information in your response should be kept confidential, and which can be published. We might ask for reasons why.

If the information you give in your response contains personal data under the General Data Protection Regulation (Regulation (EU) 2016/679) as retained in domestic law following the UK's withdrawal from the European Union ("UK GDPR"), the Gas and Electricity Markets Authority will be the data controller for the purposes of GDPR. Ofgem

uses the information in responses in performing its statutory functions and in accordance with section 105 of the Utilities Act 2000. Please refer to our Privacy Notice on consultations, see Appendix 1.

If you wish to respond confidentially, we'll keep your response itself confidential, but we will publish the number (but not the names) of confidential responses we receive. We won't link responses to respondents if we publish a summary of responses, and we will evaluate each response on its own merits without undermining your right to confidentiality.

General feedback

We believe that consultation is at the heart of good policy development. We welcome any comments about how we've run this consultation. We'd also like to get your answers to these questions:


1. Do you have any comments about the overall process of this consultation?
2. Do you have any comments about its tone and content?
3. Was it easy to read and understand? Or could it have been better written?
4. Were its conclusions balanced?
5. Did it make reasoned recommendations for improvement?
6. Any further comments?

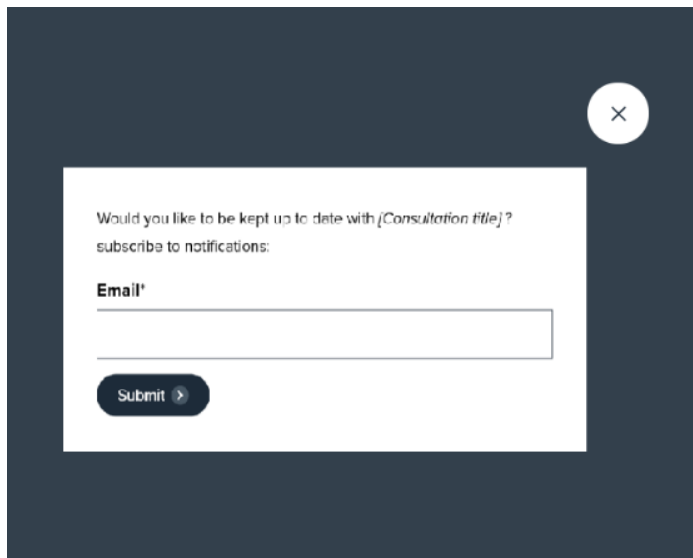
Please send any general feedback comments to stakeholders@ofgem.gov.uk

How to track the progress of the consultation

You can track the progress of a consultation from upcoming to decision status using the 'notify me' function on a consultation page when published on our website.

[Ofgem.gov.uk/consultations](https://www.ofgem.gov.uk/consultations)

Notify me 



Would you like to be kept up to date with [Consultation title]?
subscribe to notifications:

Email*

Submit ➔

Once subscribed to the notifications for a particular consultation, you will receive an email to notify you when it has changed status. Our consultation stages are:

Upcoming > **Open** > **Closed** (awaiting decision) > **Closed** (with decision)

2. Project 1: Data Best Practice

Section summary

This section outlines WWU's re-opener application for its proposed Data Best Practice project and our assessment of the needs case, optioneering and costs. Based on this assessment we have formed our Draft Determination of what allowances, if any, should be added for this project.

Questions

Q1. Do you agree with our Draft Determination on Project 1?

WWU's demonstration of the needs case

- 2.1 WWU is seeking additional funding of £2.377m during the RIIO-2 price control period to develop its Data Best Practice (DBP) maturity and deliver on its stakeholder priorities.
- 2.2 In its submission, WWU outlines that in its RIIO-2 business plan submission it requested funding based on its digitalisation views at the time. But since then, its views have developed alongside the requirements of its stakeholders, and it now requires additional funding to deliver new functionalities.
- 2.3 WWU states that it is already building towards DBP principles, for example providing access to datasets, a central team to service requests, holding a data asset log, and it has introduced a data triage process. But it now wants to expand this by investing in four key systems:
 - A data lake to provide a single repository of data to support sharing and analytics.
 - An analytics platform to support data governance and stakeholder requests for processed data.
 - An open data platform to provide easy access to Cadent data, metadata and data catalogues. Also, an easy way for data users to feedback and engage.
 - A consumer database, to provide detailed and regional data on energy usage to support Local Authority Energy Planning, whilst complying with GDPR.
- 2.4 To achieve its outcomes and support stakeholders it wants to recruit 13 full-time roles to build and support these systems.

Our Draft Determination on WWU's needs case

- 2.5 We can see a strong rationale for investment in the areas identified by WWU, that leverages user needs.
- 2.6 We consider that WWU has struck the right balance in its request between accelerating its maturity with DBP, whilst not overstretching what it needs to deliver ahead of the next price control period.
- 2.7 In line with this, WWU has clearly taken into account our previous Determinations for other companies, in particular on similar projects submitted in January 2023 from Cadent⁹ and SGN¹⁰ when creating its submission. It has stated that it is not looking for additional funding for areas such as interoperability, Application Programming Interfaces (APIs), or digital twins at this stage as it does not see there are clear or compelling stakeholder requirements for these elements at this time. However, WWU states that it wants to build the foundational elements now and then look to build on these elements ready for the next price control period. We consider that this is the correct approach.

WWU's optioneering

- 2.8 WWU's optioneering is based on its two main components to meeting the Data Best Practice principles:
- The technical platform required to support dataflows
 - The resources required to manage and operate the platform
- 2.9 WWU considers that its baseline option of 'do nothing / continue with manual processing' is not viable as it is not achieving sufficient value for stakeholders. Data sit in different systems with no common home and processing is done using disaggregated applications like R, Power BI and ArcGIS. Sharing of data is done using either one off snapshots via email or via a website with one off links. WWU states that this type of static information is not what its stakeholders want and does not meet the Data Best Practice principles.
- 2.10 The submission breaks down the optioneering into five different requirements, with options assessed for each requirement. For brevity we have summarised

⁹ [RIIO-2 Non-operational IT Capex Re-opener Final Determination and Direction: Cadent | Ofgem](#)

¹⁰ [RIIO-2 Non-operational IT Capex Re-opener Final Determination and Direction: SGN | Ofgem](#)

each requirement, with WWU's preferred option for each, as a single paragraph here.

- 2.11 REQ001: Business warehouse vs data lake (WWU's preferred option). WWU consider that a data lake is best practice as it provides interoperability for external sharing vs internal needs. This would be a suite of [REDACTED] based products collectively known as [REDACTED].
- 2.12 REQ002: Single licences vs shared analytics platform - (WWU's preferred option). The existing approach to analytical tools is for single desktop licences to be allocated to individual data experts. Going forwards, WWU would prefer to switch to a cloud platform by [REDACTED], which supports both R and Python and will support five licences for building workflows and scripts, and 100 user licences for connecting to data products and analytics web apps. This will mean that analysis can be automatically posted to a data lake and therefore to an open data platform.
- 2.13 REQ003: [REDACTED] vs [REDACTED] vs [REDACTED] (WWU's preferred option) vs Azure Blob. WWU state that [REDACTED] is used by the majority of network companies and meets all requirements. In assessing the other options, WWU explained that [REDACTED] is cheap to buy but difficult to develop; [REDACTED] provides excellent mapping but is less powerful as an overall data hub; and [REDACTED] offers limited functionality above existing systems.
- 2.14 REQ004: Replacing legacy Demand Derivation System (DDS), a legacy system that manages meter point and consumer demand data, with a new solution from DNV. Having searched the market, WWU has concluded that there is no alternative solution and that the bespoke solution provided by DNV is therefore the best choice. WWU intends to adopt this solution and then integrate it into its network analysis software, enabling real time network management.
- 2.15 REQ005: People and skills: Do nothing vs outsource vs expand centralised data team (WWU's preferred option). WWU consider that doing nothing is not an option and outsourcing would not be suitable for the medium-long term due to the increased costs. Therefore, it's preferred approach is to expand an in-house data team.

Our Draft Determination on WWU's optioneering

- 2.16 For REQ001, we agree that building a data lake is the correct solution to service both internal and external requirements and is likely to drive significant value for stakeholders.

- 2.17 For REQ002, we agree that opening up the analytics platform for more users is likely to help foster a collaborative, data-driven culture at WWU in line with the Data Best Practice principles.
- 2.18 For REQ003, we think the justification for the [REDACTED] solution (REQ003) could be stronger, but we appreciate that it is a well-used system that is likely to bring benefits to WWU, so do not think the optioneering should be changed.
- 2.19 For REQ004, we can see that the DNV solution selected should empower WWU to better service user needs, such as local authorities and central government, and to build towards real time monitoring.
- 2.20 For REQ005, we agree that hiring in-house is imperative across the energy network sector, given that stakeholder requirements for data are expected to increase significantly in the coming years. We therefore fully support WWU building its capabilities in this space.
- 2.21 Overall, we appreciate the detailed optioneering WWU has provided on each option and are content with WWU's optioneering choices.

Our Draft Determination on efficient costs

- 2.22 As discussed in the needs case and optioneering sections, we consider that WWU has a strong case for investing in its capability and capacity to meet the Data Best Practice guidelines and it has selected the right projects to do so.
- 2.23 In terms of costs, approximately two-thirds of WWUs request is for resourcing to build and maintain its proposed systems. WWU explained that it will need 13 full-time staff, including two trainee graduates. WWU has provided a breakdown of the costs for each member of staff, and we consider that these are costed at reasonable market rates.
- 2.24 The remaining costs, mainly for capital expenditure on hardware and software, are also costed efficiently.
- 2.25 In conclusion, we have assessed that the costs WWU has proposed for this work are efficient for consumers to fund and therefore propose to fund these works in full, with no disallowances.
- 2.26 **Table 1** below details WWU's requested funding, our proposed reductions, if any, and our proposed allowances against each workstream.

Table 1: WWU's requested funding and our Draft Determination

WWU proposal	Ofgem adjustments	Draft allowances
£2.38m	£0m	£2.38m

2.27 To help ensure this project provides good value for money, our allowances for this project will be attached to a Price Control Deliverable (PCD).

- Delivery of the Data Best Practice re-opener project

2.28 This PCD will have the delivery date of 31 March 2026, to align with the end of the RIIO-2 period.

3. Project 2: Network and Information System (NIS)

Section summary

This section outlines WWU's re-opener application for its proposed NIS project and our assessment of the needs case, optioneering and costs. Based on this assessment we have formed our Draft Determination of what allowances, if any, should be added for this project.

Questions

Q2. Do you agree with our Draft Determination on Project 2?

Foreword on the NIS regulations

- 3.1 It is the responsibility of WWU to manage risks posed to the security of its OT network and information systems and to respond to any identified risks by taking appropriate and proportionate measures to enhance the cyber resilience of those network and information systems.
- 3.2 A decision by Ofgem to allow funding, or to reject a request for funding, does not constitute any form of agreement or endorsement of WWU's risk exposure, risk response decisions, or the appropriateness or proportionality of any proposed countermeasures.
- 3.3 For the avoidance of doubt, WWU should also note that no action taken by Ofgem (including, without limitation, in agreeing to any funding) is to be taken as any form of acceptance or approval that any steps taken by WWU satisfy any legal or regulatory obligations WWU may have. Such obligations include the security duties applying under Regulation 10 of the Network and Information Systems Regulations 2018 ("NIS regulations").
- 3.4 WWU should also be aware that failure to comply with the Cyber Resilience OT licence condition may lead to enforcement action in accordance with Ofgem's statutory powers lead to enforcement action in accordance with Ofgem's statutory powers under the Gas Act 1989.¹¹ In addition, any recovery of monies from the licensee under the PCD mechanism does not preclude Ofgem from taking such enforcement action, should this be appropriate.

¹¹[Gas Act 1986 \(legislation.gov.uk\)](https://www.legislation.gov.uk/ukpga/1986/44/section/1)

- 3.5 Enforcement action may result in the imposition of an appropriate remedy or sanction in accordance with Ofgem's statutory powers. This may include a financial penalty and/or a final or provisional order to ensure compliance. Any such action will be taken in line with Ofgem's Enforcement Guidelines¹² applicable at the relevant time.
- 3.6 Where appropriate, enforcement action may be taken in accordance with the NIS regulations. This may include the imposition of an enforcement notice and/or penalty notice in accordance with those regulations,¹³ where appropriate.

WWU's demonstration of the needs case

- 3.7 In response to the continuing evolution of the cyber threat landscape for Operators of Essential Services (OES), WWU wants to invest in a programme of 11 projects aimed at improving and maintaining the resilience of its infrastructure and applications that are within the scope of the NIS regulations. For each of the eleven projects, WWU has outlined a relevant needs case, and our understanding of these needs cases per project is outlined below, each numbered NIS001 to NIS011.

[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

¹² [Enforcement Guidelines – March 2023](#)

¹³ [Network and Information Systems Enforcement Guidelines and Penalty Policy](#)

¹⁴ The Cyber Assessment Framework, more information available at [NCSC CAF guidance - NCSC.GOV.UK](#)

[REDACTED]

[REDACTED]

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¹⁵ [Which CAF profile should I use? - UK Government Security](#)

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¹⁶ Level 4 of the Purdue model for the security of industrial control systems (ICS) is noted as the Enterprise level which incorporates functions centred around IT security.

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¹⁷ LAN: Local Area Network

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satisfied that this work is driven by an external factor that means WWU could not have foreseen this work during its Business Plan submission.

3.65 After analysing the cost breakdown provided by WWU, we asked 10 Supplementary Questions to WWU on specific areas of its costs where we required additional information. We are satisfied with the responses provided by WWU on each of these and are therefore satisfied that the costs provided by WWU are costed efficiently. We are therefore not proposing any reductions in WWU's request.

3.66 **Table 3** below details of WWU's requested funding, our proposed reductions, if any, and our proposed allowances against each workstream.

Table 3: WWU's requested funding and our Draft Determination

WWU Proposal	Ofgem adjustments	Draft allowances
£17.0m	£0m	£17.0m

3.67 To help ensure each sub-project is delivered as planned, and therefore provides good value for money, our allowances will be attached to a series of Price Control Deliverables (PCD). For administrative ease, we have grouped the lower value projects together. Each PCD will have the delivery date of 31 March 2026, to align with the end of the RIIO-2 period.

Table 4: Project 2 PCDs

Project	Output	Allowance
Delivery of NIS001	████████████████████	£10.1m
Delivery of NIS002	████████████████	£2.38m
Delivery of NIS003, NIS004, NIS005, NIS006, NIS007, NIS008, NIS009, NIS010 and NIS011	<div> ██ </div> <div> ██ </div> <div> ██ </div> <div> ██ </div> <div> ██ </div> <div> ██ </div> <div> ██ </div> <div> ██ </div>	£4.52m

3.68 As WWU's special licence conditions are publicly available, we intend to place the specific outputs in a redacted annex in the Final Determination. Appendix 1 sets out our proposal for the PCDs.

[REDACTED]

[REDACTED]

[REDACTED]

Our Draft Determination on WWU's needs case

[REDACTED]

[REDACTED]

WWU's optioneering

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Our Draft Determination on WWU's optioneering

[REDACTED]

¹⁹ [ATEX and explosive atmospheres - Fire and explosion \(hse.gov.uk\)](https://www.hse.gov.uk/atex/)

The chart displays three distinct groups of horizontal bars. The first group consists of three bars. The second group, which is the largest, contains seven bars; the longest bar in this group extends beyond the visible right boundary of the chart. The third group at the bottom contains five bars. All bars are solid black, and the groups are separated by vertical white lines.

Our Draft Determination on efficient costs

- 4.18 WWU has highlighted that both sub-projects are one off capital expenditure projects and therefore there are no changes to processes or ongoing cost impacts.
- 4.19 For the [REDACTED], Ofgem awarded £4.45m during the original RIIO-2 business plan process, out of WWU's request for £5.94m. Since then, WWU has conducted additional analysis that has identified additional work, which means that WWU expects to do 10% more work than expected, costing approximately £1m more than expected.
- 4.20 During the business plan process we allocated efficient funding for this upgrade programme. We appreciate that WWU has identified additional work within this programme, but we have already allocated funding and the re-opener process is specifically for new, unforeseen work rather than for minor changes to existing programmes. Minor changes to existing programmes should be handled within the existing RIIO-2 process. In particular, the Totex Incentive Mechanism compensates network companies where they incur additional costs within existing programmes, in the same way that it rewards network companies where they incur lower costs or manage to drive efficiencies within existing programmes. Therefore, we **propose to disallow the full £1.21m requested for this additional work.**

- 4.21 For the [REDACTED] programme, this is a new and unexpected programme of work. This project would provide a direct benefit to consumers by maintaining the network pressure at an optimum level that minimises excess emissions. We therefore propose to fund this element of the project.
- 4.22 However, we have noted a discrepancy between the costs for project management between the first and second sub-project against the third sub-project (the modem upgrade programme), where a WWU Project Manager is listed as £334 per day for the first two sub-projects, vs £500 per day for the third sub-project. We note that £500 per day is high for an internal Project Manager and therefore propose to bring this in line with the amount paid by WWU for its other sub-projects. Over the projected 240 days of work this means **we propose to disallow £39,840.**
- 4.23 Except for this change, the rest of the costs proposed appear in line with those of similar projects undertaken by other networks and are in line with our expectations. We therefore propose to fund the rest of the project, at a cost of £0.53m.
- 4.24 **Table 5** below details WWU's requested funding, our proposed reductions, if any, and our proposed allowances against each workstream. Given the limited amount of funding we are awarding, and the clear need for WWU to undertake the project, we are not proposing to add a Price Control Deliverable (PCD) for this project.

Table 5: WWU's requested funding and our Draft Determination

WWU proposal	Ofgem adjustments	Draft allowances
£1.78m	-£1.25m	£0.53m

Appendices

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Appendix 1 Draft Direction

Introductory note

Following our assessment of WWU's submission, we have set out our Draft Determination. Any decision, for example to add additional allowances for a project, will be implemented into the Licensees licence via a direction. This Appendix provides a draft of the direction that will implement our Final Determination, as required by Special Condition 3.7.9. We intend to confirm the direction at the same time as setting out our Final Determination.

This direction is subject to responses to our Draft Determination. Any representations with respect to the Draft Determination or associated draft direction below must be made on or before 28 April 2024. These should be sent to Rebecca Taig, Office of Gas and Electricity Markets, Commonwealth House, 32 Albion St, Glasgow, G1 1LH or by email to joe.draissey@ofgem.gov.uk.

Please see paragraphs 0 to 0 above for more information on responding, including on marking parts of responses that you consider confidential.

Draft Direction

Direction under Special Condition 3.7.6 of the electricity transmission licence held by Wales and West Utilities (the Licensee) to add allowances for Non-Operational IT Capex

A1.1 The Gas and Electricity Markets Authority ('the Authority') is issuing a direction under Special Condition 3.7.6 to amend Special Condition 3.7 Appendix 1 (Total Non-operational IT Capex Re-opener allowance).

A1.2 Special Condition 3.7 provides a re-opener mechanism by which the Licensee may seek additional funding during the RIIIO-2 price control as a result of:

- i) the licensee identifying further evidence in support of Non-operational IT Capex projects that were included in its Business Plan, but in relation to which no allowance has been provided to date;
- ii) the licensee identifying activities capable of improving the efficiency or performance of its Non-operational IT Capex; or
- iii) any changes to statutory or regulatory requirements relating to Non-operational IT Capex.

Re-opener Consultation - Wales and West Utilities Non-Operational IT Capex Re-opener Draft Determination

A1.3 The Licensee applied under Special Condition 3.7.6 in September 2023, and the Authority publicly consulted on its Draft Determination between 27 March 2024 and 28 April 2024. This document included a draft of this direction, as required by Special Condition 3.7.12.

A1.4 The Authority received [x] non-confidential representation(s) and have placed these on ofgem.gov.uk. Having considered these representations, the Authority has decided to proceed with making this direction.

A1.5 This direction will implement the Authority's decision on the Licensee's application to the Authority to add additional Non-Operational IT Capex allowances into its RIIO-2 price control framework. Further details on the reasons for and effect of this direction can be found in the Final Determination document published alongside this direction.

A1.6 This direction will replace the Total Non-operational IT Capex Re-opener allowance in Appendix 1 (the existing table within Special Condition 3.7 Appendix 1) to improve clarity and set out the allowances.

Total Non-operational IT Capex Re-opener allowance (£m)

	2022	2023	2024	2025	2026	Total
Re-opener Allowance	0	0	0	0	0	0

Total Non-operational IT Capex Re-opener allowance (£m)

	<u>2021/22</u>	<u>2022/23</u>	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>	<u>All years</u>
<u>Re-opener Allowance</u>	<u>0.1</u>	<u>1.9</u>	<u>2.5</u>	<u>8.026</u>	<u>7.4</u>	<u>= 19.926</u>

A1.7 This direction will also amend Appendix 2 to Special Condition 3.7, as shown below:

Non Operational IT Capex Price Control Deliverable (£m)

<u>Regulatory Year</u>								
<u>NOITRE</u>	<u>Output</u>	<u>Delivery</u>	<u>2021/22</u>	<u>2022/23</u>	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>	<u>Total</u>
<u>project</u>		<u>date</u>						
<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Re-opener Consultation - Wales and West Utilities Non-Operational IT Capex Re-opener Draft Determination

<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>Data Best Practice re-opener</u>	<u>Data integrations and aggregation platform; data analytics platform; open data platform and consumer database solution</u>	<u>31 March 2026</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1.2</u>	<u>1.2</u>	<u>2.4</u>
<u>NIS001 Cyber Project</u>	<u>See Appendix 2 of the Final Determination published on [xx/xx/xxx]</u>	<u>31 March 2026</u>	<u>0.059</u>	<u>1.129</u>	<u>1.366</u>	<u>3.862</u>	<u>3.684</u>	<u>10.1</u>
<u>NIS002 Cyber Project</u>	<u>See Appendix 2 of the Final Determination published on [xx/xx/xxx]</u>	<u>31 March 2026</u>	<u>0.014</u>	<u>0.266</u>	<u>0.322</u>	<u>0.91</u>	<u>0.868</u>	<u>2.38</u>
<u>NIS003, NIS004, NIS005, NIS006, NIS007, NIS008, NIS009, NIS010 and NIS011 Cyber Projects</u>	<u>See Appendix 2 of the Final Determination published on [xx/xx/xxx]</u>	<u>31 March 2026</u>	<u>0.027</u>	<u>0.505</u>	<u>0.612</u>	<u>1.728</u>	<u>1.648</u>	<u>4.52</u>

A1.8 This direction will take effect immediately. This Direction constitutes notice stating the reasons for the decision for the purposes of section 38A of the Gas Act.

Yours sincerely,

[Name]

[Title]

For and on behalf of the Authority

Privacy notice on consultations

Personal data

The following explains your rights and gives you the information you are entitled to under the General Data Protection Regulation (GDPR).

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

1. The identity of the controller and contact details of our Data Protection Officer

The Gas and Electricity Markets Authority is the controller, (for ease of reference, "Ofgem"). The Data Protection Officer can be contacted at dpo@ofgem.gov.uk

2. Why we are collecting your personal data

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

3. Our legal basis for processing your personal data

As a public authority, the GDPR makes provision for Ofgem to process personal data as necessary for the effective performance of a task carried out in the public interest. i.e., a consultation.

4. With whom we will be sharing your personal data

We will not be sharing your personal data with other organisations.

5. For how long we will keep your personal data, or criteria used to determine the retention period.

Your personal data will be held for up to twelve months after the consultation process closes.

6. Your rights

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right to:

- know how we use your personal data
- access your personal data
- have personal data corrected if it is inaccurate or incomplete
- ask us to delete personal data when we no longer need it
- ask us to restrict how we process your data

- get your data from us and re-use it across other services
- object to certain ways we use your data
- be safeguarded against risks where decisions based on your data are taken entirely automatically
- tell us if we can share your information with 3rd parties.
- tell us your preferred frequency, content and format of our communications with you.
- to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at <https://ico.org.uk/>, or telephone 0303 123 1113.

7. Your personal data will not be sent overseas

8. Your personal data will not be used for any automated decision making.

9. Your personal data will be stored in a secure government IT system.

10. More information For more information on how Ofgem processes your data, click on the link to our "[ofgem privacy promise](#)".