

Consultation

SHET Non-Operational IT Capex Re-opener Draft Determination

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We are consulting on Scottish Hydro Electric Transmission's (SHET) Non-Operational Information Technology (IT) Capex Re-opener submission, which was submitted in the 28 August 2023 to 15 September 2023 Re-opener window.¹

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 SHET'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 Electricity Transmission Owners 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 SHET'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), SHET has applied to Ofgem to add additional allowances for Non-operational IT projects into its RIIO-2 price control framework. SHET submitted an application for the following four projects:
- Project 1: Integrated Project Management (IPM)
 - Project 2: Control Centre Disaster Recovery (DR) Phase 2
 - Project 3: Transmission Time Management (TTM) solution
 - Project 4: Acceleration of Digitisation (AoD)
- 1.7 Since its submission in September 2023, SHET has also provided additional information to us through a combination of bilateral meetings and Supplementary Question (SQ) responses.
- 1.8 Throughout this document, all monetary figures are in 2018/19 prices (to align with the original RIIO-2 price base).

Consultation approach

- 1.9 We are issuing this consultation following our assessment of SHET's re-opener application. This document explains our assessment of that application and the adjustments we are proposing to make to SHET's licence, including adjustments to allowances and the addition of any Price Control Deliverables (PCD).

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

Following a tender process, we appointed a technical consultancy that assisted us with assessing these projects.

- 1.10 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.
- 1.11 Our Draft Determination on SHET's re-opener application is split in to four parts, one for each of the four projects that SHET has requested additional allowances for.
- 1.12 We considered SHET's proposals 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:
- the needs case
 - the options assessment and the justification for the proposed projects
 - the efficient costs for the proposed project

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 SHET to undertake the project.

Context and related publications

- 1.13 The scope of this consultation is limited to SHET'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
 - SHET's Licence Special Conditions 3.7⁷
 - RIIO-2 Re-opener Guidance and Application Requirements Document.

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

⁵ https://www.ofgem.gov.uk/system/files/docs/2020/07/draft_determinations_-_core_document_redacted.pdf

⁶ https://www.ofgem.gov.uk/system/files/docs/2021/02/final_determinations_-_core_document_revised.pdf

⁷ [SHETP Special Consolidated Conditions.pdf \(ofgem.gov.uk\)](#)

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
14/02/2023	13/03/2024	May 2024	May 2024

How to respond

- 1.14 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.
- 1.15 We've asked for your feedback in each of the questions throughout. Please respond to each one as fully as you can.
- 1.16 We will publish non-confidential responses on our website at www.ofgem.gov.uk/consultations.

Your response, data and confidentiality

- 1.17 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.
- 1.18 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.
- 1.19 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 2

- 1.20 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

- 1.21 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?

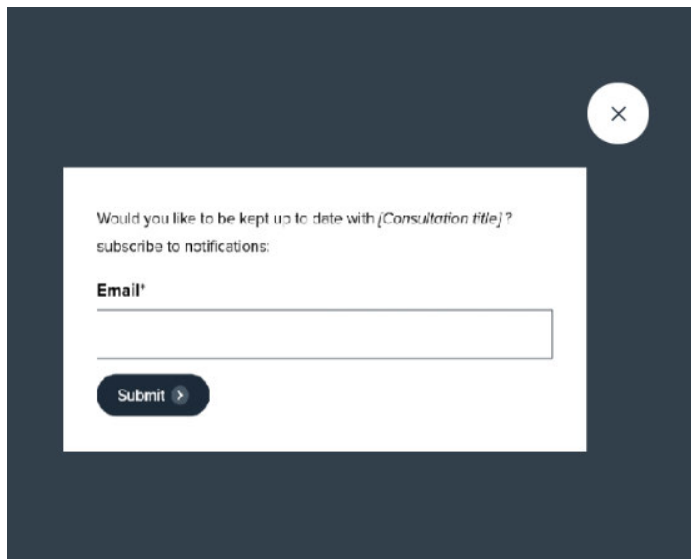
Please send any general feedback comments to stakeholders@ofgem.gov.uk

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)

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Would you like to be kept up to date with [Consultation title]?
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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 - Integrated Project Management (IPM)

Section summary

This section outlines SHET's re-opener application for its Integrated Project Management project and our assessment of the costs. Based on this assessment we have formed our Draft Determination of what allowances, if any, should be added for this project.

This project was initially submitted in the January 2023 re-opener window and our previous Draft Determination⁸ agreed with SHET's need case and agreed that delivering the IPM project now was the correct option to address the needs case. However, we were concerned by the level of cost uncertainty. Our Decision⁹ concluded that SHET should resubmit the project in the next Re-opener window (September 2023) for a final decision, as this would provide SHET with the time necessary to address our concerns with the cost uncertainty. Off the back of our decision, SHET has more accurately proposed its costs at approximately £1m lower than in its original submission.

Thus, for easier reading, this Draft Determination re-iterates the needs case and optioneering from our previous Draft Determination, and details our new assessment of the costs for SHET's September 2023 submission.

Questions

Q1. Do you agree with our Draft Determination for the Integrated Project Management project?

SHET's demonstration of the needs case

- 2.1 In its submission, SHET explains that its ambition is to become a digital company and that this ambition covers all aspects of the business from project delivery to operational decisions. SHET considers that, based on its current level of digital maturity in capital asset delivery and the growing portfolio of assets requiring connection to the transmission system, that there is a risk of not delivering its programme of capital works.
- 2.2 Given the strategic importance of transmission investment, SHET explains that the knock-on impacts of not delivering its programme could impact the UK's net

⁸ [SHET Non-Operational IT Capex Re-opener Draft Determination \(May 2023\) \(ofgem.gov.uk\)](#)

⁹ [SHET Non-Operational IT Capex Re-opener Final Determination \(ofgem.gov.uk\)](#)

zero ambition. SHET concludes that there is a need to invest in growing and maturing the digital capabilities of its capital delivery functions.

2.3 To address this need, SHET has planned an Integrated Project Management (IPM) project, which would entail the digitalisation of the key management processes underpinning its capital delivery programme, such as schedule, cost, risk, and issue management. SHET plans that this standardisation would help ensure best practices are embedded in complex capital delivery, which it states would lead to three key benefits. First, it would lead to a faster and more optimised way of delivering projects. Second, it would help ensure that the right data is collected at every stage, in a manner that ensures it can be aggregated for provision of insight, providing benefits including:

- Enabling early actions, ensuring bottlenecks are identified and addressed
- Providing better reporting leading to enhanced stakeholder engagement, and more informed customers
- Improving the quality of reports, allowing for better lessons learnt and enabling iterative improvements to be made.

2.4 Finally, SHET believes that this investment would reduce the inherent delivery risk in the capital programme, which would bring greater confidence in delivery against its business plan commitments and the capital projects that have been funded both in the current RIIO-T2 period and in the next price control period.

Our Draft Determination on the needs case

2.5 SHET's application clearly articulates the need for this investment, outlining the background to the requirement both from the business and technology perspectives. We expect that there will be significant growth in the volume of new connections and that the supply and demand profiles on the Transmission Network will change in line with this. We agree with SHET that this clearly indicates the need for a transformation in SHET's approach to the management of its Capital Delivery Programmes.

2.6 We consider that the application is aligned with SHET's Digital and Data Vision strategy and that the further digitalisation of its capital delivery should deliver cost efficiencies and drive process improvements over time.

SHET's options considered and justification for the proposed project

- 2.7 In the submission, SHET outlined that a range of potential options to address the needs case were presented and debated within its internal teams (SHET IT, SHET Capital Delivery, and the wider business), as well as with its digital partners who had assisted it in creating the Digital Vision strategy. Each option was evaluated against five set criteria:
- Impact on meeting strategic objectives
 - Impact on meeting 2030 Strategy
 - Impacts on RIIO-T3 Foundation
 - Unmissable Quick Wins
 - Alignment with stakeholder expectations
- 2.8 This evaluation led to SHET narrowing down its options to a top three:
- Option 1: do nothing (£0m). SHET notes that this would have no investment costs, however it considers that this would have implications for the delivery of its capital programme as discussed in the needs case.
 - Option 2: delivering the IPM project now (£11.05m). SHET has already started some of the work on this project and under this option it would continue at pace, with SHET aiming to complete the main tender process in May 2023. This option maximises the benefits by completing the project quickly. However, SHET notes that there are currently a limited number of vendors, which could limit certain capabilities (for example the chosen product may provide good capability in most areas but poor Change Management capability).
 - Option 3: defer delivery of the IPM project until the end of RIIO-T2 (not costed). SHET suggests that the main benefit of this option would be that other, better technical solutions may be available as technology improves over time and more vendors potentially enter the market. However, SHET states that this option would mean that existing issues such as higher costs in maintaining multiple systems, and risks to data quality from holding the same data in multiple places, would continue.
- 2.9 SHET's preferred option is Option 2, to deliver the IPM solution in RIIO-2. This would result in the majority of IPM capability being centred in an integrated platform within the current price control period.

- 2.10 This investment in IPM would deliver the required platform and capabilities through a series of coordinated steps by splitting the investment into several items, while prioritising the delivery order by focusing on the highest value add first. SHET plan for the following items to fall within scope of the IPM project:
- Change & Project Management (processes and tool to manage change)
 - Data and Integration Design (mapping out data systems)
 - Project Cost Management (planning and controlling project costs)
 - Schedule Management (timetabling project tasks, deliverable and milestones)
 - IPM Cost Management (planning and controlling IPM project costs)
 - Data Cleansing (removing or fixing incorrect or incomplete data)
- 2.11 SHET states that the key benefits of this option are that it requires only one procurement process and that the selected platform is designed for Integrated Project Management for Capital Delivery. This approach can be described as a hub that delivers the required capabilities. It leverages some of the existing systems through integration, where they either provide strong capability or are part of a SHET wide service such as its finance team.

Our Draft Determination on SHET's optioneering

- 2.12 SHET shortlisted three options and concluded that the best option was to deliver the IPM solution in the current RIIO-T2 price control period.
- 2.13 We agree that SHET was right to reject the 'do nothing' option. As discussed in paragraphs 2.1 to 2.4 above, there is a need for SHET to address this gap in its project management capability. The project identified would support the implementation of the critical Building Information Management project and enable delivery of the company's digitalisation strategy and associated benefits.
- 2.14 We also agree that SHET was right to reject the 'delay IPM until the end of RIIO-T2 option', as it would impact its ability to efficiently deliver multi-million-pound capital projects. Delivering this platform now would provide SHET with the foundations it can use to deliver its capital projects in the next price control period.
- 2.15 Our consultants¹⁰ assessed the optioneering and proposed solution. They concluded that the capabilities that SHET is planning to build into the platform

¹⁰ Enzen Global Ltd ([Home](#) | [Enzen](#))

are correct, and we are satisfied with its conclusion. It is therefore our view that, given the short- and medium-term benefits of this project and alignment with SHET's wider strategy to deliver capital works efficiently, that the correct option is to undertake the IPM project during the RIIO-2 period.

Our Draft Determination on efficient costs

2.16 SHET initially requested £11.05m for the IPM programme in its first submission during the January 2023 re-opener window. After consultation, the final determination from Ofgem stated that we were provisionally satisfied with the needs case and optioneering. However further investigation was required to address the level of uncertainty and associated implications on cost and benefits presented in the January submission.

2.17 We advised SHET to resubmit the re-opener in the September window for a final decision¹¹. Given the uncertainty over costs and the level of benefits delivered, we provided SHET the time necessary to:

- Finalise the product selection activity and, having selected the product, undertake an analysis of the solution to determine the scope to be delivered in the remainder of the T2 period.
- Once the scope is determined, work with us to develop proposals for PCDs that are measurable, achievable and that help to mitigate remaining risks and uncertainties.

2.18 SHET's latest submission addressed the two points in paragraph 2.17 above and re-evaluated its investment to be £10.13 million. Our approach to ask SHET for more certainty in its costs has led to an approximately £1 million cost reduction on this project.

(1) SHET's selected product for IPM is a cloud-based Oracle Unifier platform using [redacted software] as the Systems integrator. The integration platform has also been selected as Azure in alignment with SHET's Digital IT roadmap.

(2) SHET has identified a Price Control Deliverable (PCD) to mitigate risks and uncertainties and ensure that the project delivers good value for money. In response to our Supplementary Question 1 SHET proposed its PCD to be "Delivery of the Integrated Project Management solution to provide a

¹¹ See paragraphs 2.5 and 2.7 of [SHET Non-Operational IT Capex Re-opener Final Determination \(ofgem.gov.uk\)](https://www.ofgem.gov.uk/shet-non-operational-it-capex-re-opener-final-determination)

single platform facilitating the schedule management, cost management, risk management and change management of Large Capital Projects”.

- 2.19 SHET has explained that to ensure the costs requested are efficient, it has built its costs with reasonable cost assurance measures including collaboration with consultancies and benchmarking. This has been maximised after Ofgem’s proposal to reassess costs and resubmit in the September 2023 Re-opener window. SHET has since undergone a 6-month regulated tender to select a product and also confirmed support, licensing and build costs. In addition, SHET has selected a System Integrator and Integration platform. To further solidify costs SHET has completed: a high-level technical design through a procurement exercise and an 8-week discovery phase; recruited 3 new members of internal staff to reduce overall resource costs; appointed a change lead and change analyst to drive communication and change adoption and progressed management of its key sponsor and stakeholders. We appreciate SHETs compliance and are happy with SHET’s efforts to deliver a pragmatic approach to further ensure the costs requested are reliable and efficient.
- 2.20 The allowance requested covers delivery of 100% of each capability identified in paragraph 2.10 above as part of the development of the minimum viable product. To ensure delivery of all business outcomes we propose to use these capabilities as its PCD.
- 2.21 SHET has explained that the investment comes from two expenditures: resource costs and platform costs. Resource costs come from a hybrid resource model which are built by leveraging experience from other organisations. Platform costs are the additional costs required to develop the product which have been estimated by working in conjunction with SHET’s digital partners. We have considered that SHET has completed a tender process to procure the IPM platform and implementation services. Thus, we are satisfied with SHETs resource model, cost estimates and delivery plan.
- 2.22 Approximately half of the request was for internal resourcing, with the remainder allocated to consultancy, software procurement and software maintenance. The allowance requested included £0.97m that has already been committed to the software procurement process. We are satisfied with the distribution of costs because SHET has stated it does not have the sufficient skills or bandwidth to complete this project alone.
- 2.23 **Table 1** below details SHET’s requested funding, our proposed reductions and our proposed allowances against each workstream, if any.

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

Re-opener window	SHET proposal	Ofgem adjustments	Draft allowances
January	£11.05	£11.05	£0m
September	£10.13m	£0m	£10.13m

2.24 To ensure good value for money is achieved, we are allocating the PCD proposed by SHET and amalgamating deliverables presented in paragraph 2.10 affording the modified PCD:

- Delivery of the Integrated Project Management solution to provide a single platform facilitating data and integration design, data cleansing and the schedule management, cost management (Project and IPM), risk management and change management of Large Capital Projects.

2.25 We have set this PCD out in the formal PCD format as part of the draft direction in Appendix 1.

3. Project 2 – Control Centre Recovery (DR) Phase 2

Section summary

This section outlines SHET's re-opener application for its Disaster Recovery (DR) Control Centre Recovery Phase 2 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.

Information in this section has been heavily redacted as the project is related to Critical National Infrastructure.

Questions

Q2. Do you agree with our Draft Determination for the Control Centre Recovery (DR) Phase 2 project?

SHET's demonstration of the needs case

3.1 SHET explained in its Phase 1 submission¹² that it required investment for a

[REDACTED] DR Control Centre. Phase 1 was

awarded re-opener funding for a [REDACTED] DR Control Centre [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

3.2 SHET explains in this Phase 2 submission that further investment is required, building on the Phase 1 project, [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

3.3 SHET has stated two key subjects, which have evolved substantially since the start of T2, that this investment is aimed to respond towards. The first is increasing focus and clarity [REDACTED]

¹² [it-investment-plan-non-op-capex-.pdf \(ssen-transmission.co.uk\)](#)

[REDACTED]
[REDACTED] The second is to make a strategic change [REDACTED]
[REDACTED]
[REDACTED]

3.4 [REDACTED]
and adapt to the increasing outturn of connected generation by the end of RIIO-T2, positioning SHET's assets, offices, systems and colleagues to meet the accelerated RIIO-T3 challenge. [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

3.5 [REDACTED]
[REDACTED]
[REDACTED]

3.6 Phase 2 will build upon the benefits of Phase 1 [REDACTED]
[REDACTED]
[REDACTED]

3.7 Phase 2 will mitigate or provide more clarity to the risks remaining from Phase 1
[REDACTED] Phase 2 will
also provide benefits such as:

- Extend the duration and capacity of the DR site's capability [REDACTED]
[REDACTED]
[REDACTED]
- Ability to address increased operational complexities.
- Reduce vulnerability [REDACTED]
[REDACTED]

3.8 [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Our Draft Determination on SHET's needs case

- 3.9 SHET has suitably demonstrated a needs case for the improvement upon its current [REDACTED] DR Control Centre project. [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

- 3.10 We agree with SHET that it needs to upgrade its systems [REDACTED]

[REDACTED]
[REDACTED]

We are satisfied with SHET's proposal because it will provide benefits to its consumers and stakeholders by ensuring it is robust and reliable to maintain delivery of safe and secure network operations in the event of a high impact scenario. We therefore agree with the needs case for this upgrade project which would improve resilience and provide operational support towards an increasingly complex system.

SHET's options considered and justification for the proposed project

- 3.11 In its submission, SHET outlined a range of potential options to address the needs case that were presented and debated within its internal teams (SHET IT, SHET Capital Delivery, and the wider business). Each option was evaluated against five areas of consideration:

1. Meeting the core requirements of:

- [REDACTED]
- [REDACTED]
- [REDACTED]

2. Impact on strategy for Control Centres
3. Impact on meeting 2030 Strategy
4. Impacts on RIIO-T3 Foundation
5. Alignment with stakeholder expectations

3.12 SHET presented five options which were assessed against the above areas of consideration in a qualitative way, using subject matter expertise and business input:

- Option 1 – Do nothing.
- Option 2 – Defer to RIIO-T3.
- Option 3 – Deliver additional scope in RIIO-T2.
- Option 4 – Accelerate the control centre strategy.
- Option 5 – Expand [REDACTED] control centre.

3.13 SHET rejected Option 1 “Do nothing” and Option 2 “Defer to RIIO-T3” [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

3.14 SHET wants to implement its preferred Option 3 “Deliver additional scope in RIIO-T2”, which it states would meet the core requirements plus provide benefits to consumers and stakeholders. SHET notes that implementing Option 3 would allow it to be proactive in planning of and mitigation against potential high impact scenarios. This would make SHET more robust and reliable and able to deliver safe and secure network operations if a high impact scenario were to occur.

3.15 SHET rejected Option 4, “Accelerate the control centre strategy”, [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED] Option 5, “Expand [REDACTED] control centre”, [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED] Furthermore, it would not meet any of the criteria set out in paragraph 3.11.

Our Draft Determination on SHET's optioneering

3.17 We agree with SHET that Option 1 “Do nothing” should be rejected because it is not the appropriate response to inevitable growth in transmission demand.

[REDACTED] Similarly, we agree that Option 2 "Defer to RIIIO-T3" was correctly rejected because SHET needs to act now [REDACTED]

3.18 In addition, we agree with SHET's rejection of Option 5 "Expand [REDACTED] control centre" as whilst there may be slightly lower technology costs by using [REDACTED], it does not meet the evaluation criteria in paragraph 3.11. [REDACTED]

3.19 Overall, we agree with SHET's preferred option 3 "Deliver additional scope in RIIO-T2" as it addresses the core requirements [REDACTED]

████████████████████ In turn helping to provide safe and secure network operations and benefits to consumers and stakeholders.

Our Draft Determination on efficient costs

3.20 SHET has requested £2.36m for this project. Chapter 7 of its submission details a cost approach and breakdown of its proposed costs including project management, product licensing, server infrastructure, firewall, implementation cost and support costs. The cost breakdown of this project is roughly 75% for software/hardware procurement and maintenance, 15% for internal resources and 10% for consultancy.

- 3.21 The procurement process identified 3 components and services required by SHET: [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] In addition, SHET stated it will leverage its Digital Partners Framework to deploy additional resource, knowledge, and skills to support the project.
- 3.22 We note the value in SHET's resource proposal to retain the existing project team to provide continuity of key resources and ensure successful delivery of a specialist nature project. This will minimise risks and leverage existing working relationships. Using the existing project team has allowed SHET to select resources that will be required, based on previous experience. SHET has noted most of its resources will come internally. Applications will use a blend of internal and external resource whereas Networks and Infrastructure elements will be resourced externally by an existing provider.
- 3.23 SHET has explained that its costs are built up using its standard rates, negotiated framework rates and previous IT project costs as a basis to build its estimate. Additionally, Phase 2 activities have been completed in parallel with the planning of Phase 1 activities, aligning the scope of the two activities, allowing SHET to utilise external experience to check its estimates such as working with consultancies, costing designs and benchmarking. For these reasons, we have assessed that SHET has performed sufficient research into its proposed costs for the costs to be accurate, reliable and at the lowest possible cost to the consumer.
- 3.24 Overall, this project details a strong needs case with appropriate optioneering. Our analysis of the costs shows them to be efficient, with detailed costing approach and cost breakdown with suitable benchmarking. We agree that this project will allow SHET to adapt, have better control to a rapid change of pace across the energy landscape from increasing additions of assets being built on the transmission network as a drive towards Net Zero. This investment will increase resilience and reliance, [REDACTED]
[REDACTED] and overall growth of SHET. Therefore, our Draft Determination is to award the full allowance requested (£2.36m).
- 3.25 **Table 2** below details SHET's requested funding, our proposed reductions and our proposed allowances against each workstream, if any.

Table 2: SHET's requested funding and our Draft Determination

SHET proposal	Ofgem adjustments	Draft allowances
£2.36m	£0.0m	£2.36m

4. Project 3 – Transmission Time Management (TTM) solution

Section summary

This section outlines SHET's re-opener application for its Transmission Time Management (TTM) solution project and our assessment of the needs case. Based on this assessment we have formed our Draft Determination of what allowances, if any, should be added for this project.

Questions

Q3. Do you agree with our Draft Determination for the Transmission Time Management (TTM) solution project?

SHET's demonstration of needs case

- 4.1 In its submission, SHET has explained that its current Time Management (TM) system originates from when Scottish and Southern Energy (SSE) was a single entity, roughly 10 years ago, and is now technically obsolete, requiring extensive support. Continuation with this TM system does not fulfil the requirements to allow the growth of SHET as a fully digital data driven business under its 'Sector Leading Efficiency' theme in its business plan.
- 4.2 The TM system records the time and cost of office-based staff and contractors, excluding directly costed Field based employees. Using the current 'in-house' TM system requires various manual data entry processes to move data between systems which add additional overhead to the business and increases the likelihood of human error. In addition, SHET has stated that the existing TM system technical components are at 'end of life' which exposes the system to potential security and service availability risk. SHET has noted the system endures issues which require regular intervention to regain functionality. This is estimated to be once per month with around 1-2 days downtime per outage.
- 4.3 Thus, significant growth experienced in staff numbers (from 245WTE¹³ Mar-12 when current TM implemented to 1293WTE in Mar-23 and forecasted growth to 2200WTE by Mar-26), business complexity and Regulated Asset Value (RAV)

¹³ Whole Time equivalent (WTE)

have put additional strain on the existing system and risks associated with system downtime.

- 4.4 To address this need, SHET has requested investment towards a new single user centred Transmission Time Management (TTM) system that would be used by all SHET staff and contractors, excluding directly costed field-based employees.
- 4.5 SHET has stated that implementation of a new TTM system should deliver financial benefits to SHET and the end consumer in two ways:
- a more efficient and targeted workforce recruitment due to better management understanding of existing workforce utilisation.
 - Reduced time on existing workforce planning, administrative duties involved in system updates, financial entries, data cleansing, and Regulatory reporting.
- 4.6 Separately, SHET is developing an in-house Workforce Planning Model (WFPM), linked to Power-BI, to work in conjunction with the new TMS system. The aim of this model is to allow SHET to forecast future resource requirement based on future activity such as:
- Forecast project expenditure
 - Size of live network
 - Staff leaver forecast – including retirees and normalised staff losses
 - Skills requirements and skills gaps

Data acquired from TMS system will be fed into WFPM which should allow for more accurate forecast assumptions and lead to improved resource forecasting.

- 4.7 Overall, SHET has confirmed, as a response to our question, that the TTM project will deliver better understanding and reporting of workforce requirements. Using TTM to track and benchmark staff time spent on each key activity will enable SHET to set evidence-based best practice efficiency standards. These standards will then be used to inform future project forecasts of workforce requirement based upon known project workload. This increased knowledge and resource will lead SHET to more efficient and targeted recruitment or clear remedial actions (if required) to improve performance. In addition, the use of the TTM system should equate to lower costs associated with reduced manual data entry and reduced unplanned system outage.

- 4.8 SHET states that all future projects will benefit from the delivery of the TTM system. During business growth, it is estimated that up to 0.5% of annual staff costs could be saved per year.

Our Draft Determination on SHET's needs case

- 4.9 We agree with SHET that the current TM system is not suitable both on a business and technology level. It is an inefficient system that requires additional hours towards manual processing and transferring of data, which could be spent utilising a system, such as the new TTM system, to supply data and provide valuable insights. Furthermore, the old TM system exposes SHET to additional unnecessary risks which should be avoided using the new TTM system. Overall, the TM system is out-dated and no longer sustainable to support SHET's growth.
- 4.10 SHET also stated in its needs case that it has experienced growth in RAV, 1 of 3 contributing factors mentioned in paragraph 4.3, which led to additional strain and risk. This statement increases our uncertainty and weakens SHET's need case as increasing the value of its assets should not increase the complexity of its TM system.

SHET's options considered and justification for the proposed project

- 4.11 In the submission, SHET outlined a range of potential options to address the needs case that were discussed within its internal teams (SHET IT, SHET HR, Finance, and all other key internal stakeholders). SHET considered three options:
- Option 1 – Defer to RIIO-T3
 - Option 2 – Deliver TTM now
 - Option 3 – Do nothing.
- 4.12 SHET rejected Option 1 "Defer to RIIO-T3" and Option 3 "Do nothing" as neither address the exposures to the risks identified, increased costs or do nothing to attend to any of the business needs, extending SHET's vulnerability.
- 4.13 SHET's preferred option is Option 2, to deliver the TTM system in RIIO-2. This would result in an integrated system, deliver business benefits quickly and reduce risks associated with the current TM system.
- 4.14 SHET proposed two solutions to deliver TTM now:

(1) Re-engineer the existing TM system by building an 'on premises' platform to provide the relevant capability.

(2) Implement a cloud-based TM solution that has the capabilities to integrate seamlessly with SHET's existing ERP suite (e.g. finance, HR systems).

4.15 SHET, along with its stakeholders have agreed to implement the second, cloud-based TM system which aligns with the digital strategy.

Our Draft Determination on SHET's optioneering

4.16 We agree with SHET's rejection of Option 1 "Defer to RIIO-T3" and Option 3 "Do nothing" as they prolong or do not address the risks associated from an older system reliant on manual data entry, which also leads into potential data inaccuracies, increased workload and loss of time stemming from manual entry. This also either delays or does not support business improvement opportunities.

4.17 Following from this, we note the value with SHET's preferred Option 2 "Deliver TTM now". This investment would deliver a TTM system that would replace an aged TM system which could not facilitate SHET's current nor future growth, was not functionally reliable which would often cause monthly 1-2 day periods of downtime and ultimately opened SHET up to new vulnerabilities. The new TTM system would mitigate these vulnerabilities/risks and avoid manual data processes which in turn reduces overhead and human error, especially with such significant growth.

4.18 Delivering a cloud-based system would aid SHET's vision to become a fully digital data driven business. Paired with SHET's WFPM should also provide SHET with optimised data/results which would provide financial benefits to SHET and consumer.

Our Draft Determination on SHET's costs

4.19 SHET has requested £1.59m for this project. The cost breakdown of this project is roughly 65% for internal resources, 25% for software/hardware procurement and maintenance, and 10% for consultancy. Most of the investment has been identified in SHET's submission towards various internal resourcing and roles.

4.20 Despite having selected a cloud-based solution and Integration Services. SHET has not begun procurement for a new Time Management Solution or a systems integrator. Furthermore, SHET states that if additional consulting services are required to support the project, they will be acquired through existing

framework agreements. We believe that by initiating a procurement process SHET could further ensure value for money on its proposed investment.

- 4.21 SHET explains that resourcing requirements have been identified to successfully deliver the components within the TTM investment. In its submission, SHET cannot commit to whether some resources (Programme and Project Manager and Solution Architect) will be resourced internally or supplemented by external resources. SHET has stated that if it were to use external resourcing that it would use existing consulting and other frameworks that have been established through its procurement process. Since a procurement process has not started, we believe this increases uncertainty in SHET's proposed costs.
- 4.22 The investment towards a new TTM system could also provide some financial benefits to SHET and the end consumer. However, we considered that SHET's proposed financial benefit of up to 0.5% of annual staff costs per year may not be guaranteed or significant. Therefore, we asked SHET, in our Supplementary Question 16, to provide evidence for the proposed financial benefit of up to 0.5% of annual staff costs and to detail the potential savings for any given year. SHET emphasised that the savings were **up to** 0.5% of annual staff costs and **suggest** annual savings of c£0.5m could be achieved through a period of workforce growth. SHET noted a saving of £560k could be expected from forecasted 23/24 staff costs of £112m. SHET believe the potential savings are derived through a combination of
- Recruitment efficiency
 - Reduced administration costs as less time spent on unplanned outage management and less admin support due to integrated data flows.
 - Estimated time saving due to improved data allowing better decision making, faster reporting (including Regulatory reporting) and increased efficiency allowing staff to add value elsewhere.
- 4.23 We can see that there is a financial benefit for SHET and the consumer however, there appears to be significant ambiguity of the predicted savings of up to 0.5% of annual staff costs which are variable and can fluctuate. This means there is uncertainty over the potential saving benefit of the project.
- 4.24 We understand SHETs ambitions for this project to support a growing business to provide and share time management data in an accurate, efficient, and consistent manner, allowing SHET to move forward with its Digital Strategy. However, we do not believe that the costs presented are at the best cost to the

consumer. In addition, we are not convinced that the financial benefits predicted by SHET of 0.5% of annual staff costs are guaranteed or sufficient.

4.25 SHET has demonstrated the need and has selected an appropriate option. However, its needs case presents some weakness regarding growth in RAV relating to additional strain and risk. Following from its optioneering, we recognise why SHET wants to deliver the project now. However, we can see areas in its submission that would benefit from initiating a procurement process to ensure costs are efficient and good value for money for the consumer. For example, new TM solution, systems integrator and resourcing. Furthermore, the predicted benefits are not guaranteed or sufficient. For these reasons, our Draft Determination is to reject the full amount requested.

4.26 If SHET considers that this project is still worth pursuing, we recommend that it builds into its business case for the next price control period two crucial elements:

- Further evidence to support efficient costs
- Confirm financial benefits

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

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

SHET proposal	Ofgem adjustments	Draft allowances
£1.59m	–£1.59m	£0.00m

5. Project 4 – Acceleration of Digitisation (AoD)

Section summary

This section outlines SHET's re-opener application for its Acceleration of Digitisation (AoD) project and our assessment of the needs case. Based on this assessment we have formed our minded-to position on whether to add additional allowances for the project.

Questions

Q4. Do you agree with our Draft Determination for the Acceleration of Digitisation (AoD) project?

SHET's demonstration of the needs case

- 5.1 SHET has stated that its licence obligations require it to share quality standardised data in a more automated way across the energy industry whilst protecting the security, resilience, and privacy of those data.
- 5.2 In its submission, SHET has reported that a portion of its overhead line asset engineering design data not digitised and is stored in offline storage. This does not support SHET's desire to become a fully digitised data driven business and means that the data cannot be easily accessed by internal and external stakeholders.
- 5.3 To address this challenge, SHET wants to standardise the level of digitisation it has on its overhead lines to record both existing and new networks. SHET aims to provide access, internally and externally, to these digital models and assets from the transmission network. This will enable its engineering teams to access data and perform engineering studies through a PLS-CADD tool (an industry recognised computerised software package). To achieve this, SHET has stated the requirement to engage a third-party provider to survey the overhead lines and provide digital models of the assets into SHET's owned platforms.
- 5.4 SHET has noted that as it continues to develop network infrastructure (including Accelerating Strategic Transmission Investment obligations and more broadly Net Zero infrastructure) the lack of digitised information acts as a bottle neck to efficiently and cost effectively interrogate and model its existing assets. This is evident in its Overhead Line Transmission Network where limitations to gain detailed assessment and potential modelling of the overhead lines and conductor pans have had a knock-on effect in:

- Asset Management – responding to enquiries from utilities and developments with respect to assessing proposals for work and activities near or in proximity to SHET’s assets.
 - Project Engineering teams – addressing load driven applications and commitments which require considerable redevelopment and re-design of SHET’s existing assets.
- 5.5 To address these constraints SHET has adopted PLS CADD¹⁴ for overhead line engineering which has increased SHET’s capabilities. However, it cannot take full advantage of the software benefits as it does not have a fully digitised data set for all the lines and towers. Gaining this information requires the use of LiDar (light sensor imaging) to afford a full digitised data set of its entire network in a PLS CADD format. Currently this generation is performed on an ad hoc basis on specific enquiries or developments.
- 5.6 If SHET was to continue an ad hoc approach, it considers that there would be significant financial loss through continuous one-off purchases of LiDar data. SHET has illustrated in its submission a comparative cost of responding to a stakeholder request after digitising the overhead line network (with overhead line digitisation - £1,325) compared to responding on a reactive ad hoc basis to stakeholder requests which require multiple ad hoc LiDar survey mobilisation and data capture (without overhead line digitisation - £7,625). SHET predicts a potential net saving of ~£4.6 million over 5 years with overhead line digitisation.
- 5.7 SHET has stated financial and safety benefits from the digitalisation of overhead line assets as there will be reduced site visits to review asset data inconsistencies and to avert from ad hoc approaches to stakeholder enquiries which minimises mobilisation costs. Such stakeholder enquiries have increased from 98 data requests in the first 6 months of RIIIO-2 to 223 data requests during the first 6 months of FY22/23.
- 5.8 SHET also states a need to involve Data Stewards, Data Owners, and Data Users alongside the process pathway. This is aimed to support and provide project integrity as SHET continues to grow its levels of maturity within its

¹⁴ Power Line Systems – Computer Aided Design and Drafting is a program that integrates all aspects of the line design into a single stand-alone program with an easy-to-use graphical user interface.

different business teams which drive data ownership, production, and accountability.

- 5.9 SHET explains that this investment will enhance its ability to ensure data on its overhead line network is treated as an asset and used effectively for the benefit of consumers, stakeholders and Public Interest.

Our Draft Determination on SHET's needs case

- 5.10 We agree with SHET that to achieve its goals of becoming a fully digital data driven business, it does need to build upon its key foundations of the required supporting functions with support from a strong business wide digital team.
- 5.11 In addition, we believe implementation of this needs case will allow SHET to improve its position with Ofgem's Data Best Practice guidance and better meet its licence conditions and treat data as an asset ensuring it is made accessible to both internal teams and stakeholders. The derived data will be utilised to benefit consumers, stakeholders and Public Interest, which are key elements of Data Best Practice.
- 5.12 As proposed by SHET, moving away from an ad hoc approach and digitising all of the overhead line network as a single activity could also provide a significant estimated saving of almost £5 million over 5 years. We welcome SHETs ambition to create significant savings and hope the provided estimation can be achieved.

SHET's options considered and justification for the proposed project

- 5.13 In the submission, SHET outlined that the method of evaluation for the options was based on expert assessment. The range of options to address the needs case were presented and debated with relevant bodies (SHET IT, and the wider business) as well as its digital partners who assisted in creating the Digital Vision Strategy. As well as guidance provided by the data governance board and SSE group data centre of excellence. SHET considered three options:
- Option 1 – Defer till RIIO-T3
 - Option 2 – Deliver AoD now
 - Option 3 – Do nothing.
- 5.14 SHET has discounted Option 1 "Delay till RIIO-T3" as it does not address the urgency of this project. SHET wants to rapidly grow its digitisation capabilities

and advance its maturity of compliance with the Data Best Practice guidance. Delaying this investment could potentially miss opportunities to deliver business benefit.

- 5.15 SHET discounted Option 3 “Do nothing” as this would jeopardise the business. The lack of available digitalised data and information will implicate SHET’s Asset Management and Project Engineering teams and how stakeholders meet their use cases, potentially impacting SHET’s reputation. This option will also increase financial and safety risks and would subtract from consumer and stakeholder benefit, Public Interest and UK’s Net Zero targets.
- 5.16 SHET’s preferred Option 2 “Deliver AoD now” will meet the requirements, deliver compliance and lead to business benefits.

Our Draft Determination on SHET’s optioneering

- 5.17 We agree with its decision to reject Option 1 “Delay till RIIIO-T3” and 3 “Do nothing” because they do not recognise the importance of digitising data and assets that will contribute towards delivering operational efficiency, network resilience, and timely connections for consumers and support development of a Net Zero emission network. Whilst having the IT capabilities to rapidly adapt and change in response to the demands of the business, consumers and stakeholders. Delaying will not drive the business forward and potentially miss opportunities to deliver business benefits. Doing nothing would increase risk to the business by impacting SHET’s ability to meet the needs of its stakeholders and provide benefits to consumers.
- 5.18 We agree with SHET’s preferred Option 2 “Deliver AoD now” as it recognises the urgency to deliver SHET’s vision to become a fully digital data driven business and enables the UK’s Net Zero objectives. This option would accelerate SHET’s objectives to increase digital data and models on the current and future overhead line network. Allowing such data to be accessible internally and externally would align with Ofgem’s Data Best Practice guidance. We believe that increasing data generation and accessibility would aid data processing and analysis to benefit SHET, consumers and other stakeholders. This approach also delivers financial and safety benefits sooner.

Our Draft Determination on SHET’s costs

- 5.19 SHET has requested £0.95m for this project. The cost breakdown of this project is roughly 80% for consultancy and 20% for internal resources. We accept SHET’s large proportion of investment towards consultancy as this is a relatively

small specialist project, where it should be cheaper to use a third-party provider to survey the overhead lines network and provide digital models on its assets into SHET owned platforms, rather than building the capability and capacity in-house.

- 5.20 In its cost approach SHET has clearly stated that this investment is composed from its need for project management services (internal) to oversee the progression and manage the project, and its requirement for a third-party vendor to undertake surveys of the overhead line circuits and to digitise the surveys into PLS CADD.
- 5.21 SHET has based survey costs on actual regulatory agreed contracted rates for Beaulieu – Spittal (90km). The Survey company will produce a PLS model with the conductors sagged as surveyed. The estimate also includes £7000 mobilisation cost per tranche and SHET expect 3 tranches of surveying. For the AoD project the total route length remaining is 1902km and is priced at £416/km. SHET has used agreed framework rates with its Digital Partners for external resource costs.
- 5.22 In response to our Supplementary Question 9¹⁵, SHET presented the per km rate from two projects used to base its survey costs. Based on these projects, and consideration on impacts of inflation and increased scale, SHET has estimated the rate to be £416/km. The Beaulieu – Spittal project and ASTI project were competitively tendered in Q2 2022 and Q4 2022, respectively. From Q2 to Q4 in 2022 there was an increase of 7.5% to the per km rate. The proposed per km rate cost for the AoD project is also a 7.5% increase from the ASTI project. Despite there being a larger separation in time we are convinced by SHET's proposed increase as it merges an increase in project scale with the impacts of inflation. Thus, we are satisfied the same proportionate incline in rates from the ASTI project for this project has been applied to afford efficient rate costs for this project.
- 5.23 In line with our analysis of the optioneering in paragraphs 5.16 and 5.17 above and analysis of its costs, we can see the value in delivering this project now. Awarding this investment will enable SHET to increase digitalisation of its overhead line network allowing SHET to efficiently and cost effectively examine and model its existing assets. We agree with SHET's proposition to move away

¹⁵ Supplementary Question 9: "How confident are SHET in its benchmarking to Beaulieu-Spittal? What was the cost for Beaulieu-Spittal? And is this proportionately scaled up for this project?".

from ad hoc digitisation, generated from stakeholder enquiries, to proactively digitise the overhead line network as a single activity because it has shown significant proposed financial benefit. Rapidly digitising its capabilities now ensures SHET aligns with Data Best Practice guidance making data accessible for its stakeholders and enabling SHET to use data effectively for the benefit of consumers and public interest. Therefore, our Draft Determination is that we will fund the Acceleration of Digitalisation in full because the project has been appropriately benchmarked against similar projects and we have assessed the project has been costed at efficient rates.

5.24 **Table 4** below details SHET's requested funding, our proposed reductions and our proposed allowances against each workstream, if any.

Table 4: SHET's requested funding and our Draft Determination

SHET proposal	Ofgem adjustments	Draft allowances
£0.95m	£0.0m	£0.95m

Appendices

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Appendix 1 – Draft Direction

Introductory note

Following our assessment of SHET'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 13 March 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 Rebecca.Taig@ofgem.gov.uk.

Please see paragraphs 1.14 to 1.20 above for more information on responding, including on marking parts of responses that you consider confidential.

Draft Direction

Direction under Special Condition 3.7.9 of the electricity transmission licence held by Scottish Hydro Electric Transmission (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 3.7.9 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 RIIO-2 price control period for activities capable of improving the efficiency or performance of its Non-operational IT Capex.

A1.3 The Licensee applied under Special Condition 3.7.6 in September 2023, and the Authority publicly consulted on its Draft Determination between 14 February 2024 and 13 March 2024. This document included a draft of the proposed direction, as required by Special Condition 3.7.9.

A1.4 The Authority received [x] non-confidential representation(s) and have placed these on [ofgem.gov.uk](https://www.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 on [xx/xx/xxxx].

A1.6 This direction will update Appendix 1 of SHET's licence to include the new amended total of investment awarded.

Appendix 1

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

<u>Regulatory Year</u>							
	<u>2021/22</u>	<u>2022/23</u>	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>	<u>2026/27</u>	<u>All years</u>
<u>Re-opener</u>	0	0	2.383	2.283	1.243	0	5.909
<u>Allowance</u>	0	0	5.923	8.913	4.513	0	19.349

A1.7 This direction will also update Appendix 2 to include the new Price Control Deliverables.

Appendix 2

Non-Operational IT Capex Price Control Deliverable (£m)

<u>Regulatory Year</u>								
<u>NOITRE Project</u>	<u>Output</u>	<u>Delivery date</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>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>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>Integrated Project Management</u>	<u>Delivery of the Integrated Project Management solution to provide a single platform facilitating data and integration design, data cleansing and the schedule</u>	<u>31-March-26</u>	<u>0</u>	<u>0</u>	<u>2.48</u>	<u>5.16</u>	<u>2.49</u>	<u>10.13</u>

	<u>management, cost management (Project and IPM), risk management and change management of Large Capital Projects.</u>								
<u>Control Centre Disaster Recovery</u>	<u>Upgrade the duration and capacity of the DR sites capability to support continuous operational control of the Transmission electrical network</u>	<u>31-March-26</u>	<u>0</u>	<u>0</u>	<u>1.06</u>	<u>1.12</u>	<u>0.18</u>	<u>2.36</u>	
<u>Transmission Time Management</u>	<u>N/A</u>	<u>N/A</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
<u>Acceleration of Digitisation</u>	<u>Digitise all of the overhead line network as a single activity</u>	<u>31-March-26</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.35</u>	<u>0.6</u>	<u>0.95</u>	

A1.8 This direction will take effect immediately.

Yours sincerely,

[Name]

[Title]

For and on behalf of the Authority

Appendix 2 - 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](#)".