Non-operational Information Technology Capex Re-opener Application

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2. Introduction

This document is the Executive Summary for Wales & West Utilities (WWU) submission to cover an amendment to our GD2 business plan under the non-operational IT capex reopener category. The subsequent documents that underpin this Executive Summary provide a breakdown of the deliverables that we seek additional allowances for via the August/September 2023 non-operational IT capex re-opener mechanism. All costs within this document are in 2018/19 prices to align to the relevant evidence provided.

Included in this application are costs for projects that we have either already undertaken or are committed to undertake which improve the efficiency and performance of our non-operational IT capex, including costs for developing capabilities to support our increasing maturity against Data Best Practice (DBP) guidance in line with license obligations, costs for ensuring services within the and costs to enable us to respond to mandatory changes driven by the Telecom industry.

3. Core Narrative

Projects included in this application for additional allowances fall into 3 categories:

1. Projects to further enhance our compliance with Data Best Practice (DBP) Guidance and licence obligations.

3. Re-submission for funding in areas impacted by National Communications Industry Changes.

This Executive Summary sits above three subsequent detailed documents covering the Needs Case, Optioneering and Costs for projects in each of these categories and provides references to the three documents. The documents that make up this re-opener application are shown in the following table:

Document Reference	Document Title	Category	
WWU-ES	Non-operational Information Technology Capex Re-opener Application – Executive Summary	Executive Summary	
WWU-Cat.1	Non-operational IT Business Case Category 1 - Data Best Practice	A - Projects to further enhance our compliance with Data Best Practice (DBP) Guidance and licence obligations	
WWU-Cat.3	Non-operational Information Technology Capex Re-opener Application – Category 3 National Telecoms Changes	C - Re-submission for funding in areas impacted by National Communications Industry Changes.	

A summary of allowance sought is shown in the following table (in 2018/19 prices):

A summary of our costs is shown in the following table:

4. Needs Case

4.1.1 Alignment with overall business strategy and commitments

The projects included in this re-opener application for additional allowances are works requiring funding to further enhance our compliance with Data Best Practice (DBP) Guidance and licence obligations and to resolve genuine business impacts that were not fully foreseeable at the time of the RIIO-GD2 business plan submission.

4.1.2 Category 1: Data & Digitalisation Best Practice

The funding detailed in WWU-Cat.1 is needed to support our growing maturity against the Data Best Practice (DBP) Guidance and ensure compliance with licence obligations related to the DBP Guidance as required by Ofgem.

When our GD2 business plan was submitted DBP Guidance had not been formally agreed. DBP Guidance developed during the period between business plan submission and the start of GD2. Ofgem published the final version of DBP Guidance during GD2, November 2021.

Since the DBP Guidance was published we have worked to understand how we can put DBP principles into practice. We have developed a digital strategy in response to the recommendations of the Energy Digitalisation Task Force (EDiT), Data Best Practice (DBP) Guidance, and the requirements of SpC 9.5. The work detailed in WWU.Cat.1 is needed to deliver this strategy and therefore further enhance our delivery of Data Best Practice.

Category 2:	

4.1.4 Category 3: Implications of National Communications Industry Changes
The additional allowance detailed in WWU-Cat.3 has been identified following detailed
analysis and announcements during GD2 that have reduced uncertainty since preparing
the GD2 Business Plan. The additional allowances detailed in WWU-Cat.3 are needed to
ensure we are able to continue to meet stakeholder expectations, meet the aims set out
in our business plan, and continue to operate the gas network safely for both the general

public and our staff in compliance with Standard Special Condition A9 (Pipeline system security standards) and our Safety Case.

In Section D Chapter 14 of our GD2 business plan submission we shared the aims of our Environmental Action Plan (EAP) to reduce shrinkage by 10% by 2026.

In Section E Chapter 16 of our GD2 business plan submission we shared our ongoing aims to manage and maintain network pressures within target ranges to deliver environmental and safety benefits as lower pressure means fewer leaks.

Delivering these commitments is fully dependent on us maintaining our pressure control systems, for which data network connectivity is essential.

The projects detailed in WWU-Cat.3 are needed to change and upgrade our data communication network in areas impacted by National Communications Industry Changes. The key deliverable from these projects is the continued safe operational capability of our Gas Pressure Management systems and essential services.

Our current communications network uses technologies that are connected to the Public Switched Telephone Network (PSTN) operated by Openreach. Funding for changes needed to address the national PSTN Switch-Off was sought in our GD2 Business plan, the Final Determination for which set the allowance for PSTN funding below the request. The Ofgem determination for PSTN project work in GD2 was £4.45m. Our GD2 Business Plan submitted for GD2 allowances requested £5.94m for PSTN project work in 2018/19 prices. Now that detailed analysis has been conducted, project uncertainty has been reduced and additional impacts identified. This re-opener application seeks additional funding to address the impacts of the national PSTN Switch-Off that are in addition to the allowance awarded in the OFGEM GD2 Final Determination for funding PSTN replacement costs.

In addition to the impact of the national PSTN Switch-Off, our network provider for gas
system controls and monitoring announced the intention to move away from existing
communication technology by
. This announcement was made after the setting of allowances for GD2, and with no
sufficient advanced notice to enable this additional cost to be included in our GD2 Business
Plan. The existing WWU-
and would therefore be unable to manage the gas network effectively and
would have to set network pressures permanently high and thereby unable to meet the
aims set out in Section D Chapter 14 and Section E Chapter 16 of our business plan
referenced above

5. Projects to address the impacts

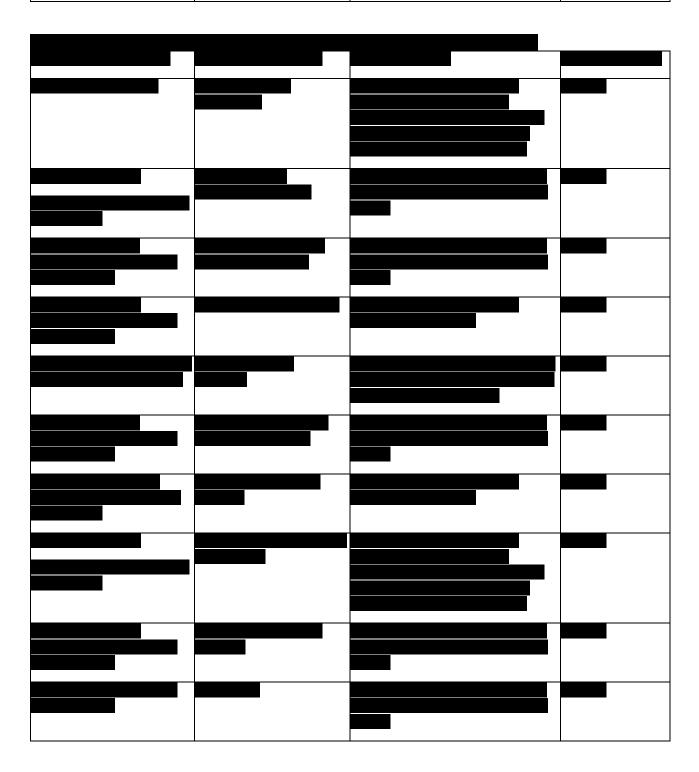
Each of the three detailed documents WWU-Cat.1, WWU-Cat.2 and WWU-Cat.3 provide the Needs Case, Optioneering, Projects and Costs for the projects in each of the categories.

While the each of three category documents provide detailed information, in summary the projects aligned to each category are:

5.1 Category 1 - Data & Digitalisation Best Practice

Data Best Practice	Project to address	Strategic Area	Re-opener Ref
Data Lake to support Data Best Practice	Data Integration & Aggregation Platform	Data Best Practice	REQ001

Data Science and Analysis of Stakeholder Needs	Analytics Platform	Data Best Practice	REQ002
Publishing to meet Stakeholder Needs	Open Data Platform	Data Best Practice	REQ003
	Consumer Database Solution	Data Best Practice	REQ004
Manage and Operate Data Best Practice	People & Skills	Data Best Practice	REQ005



5.3 Category 3 – Projects to address National Communications Industry Changes

National Telecoms Change	Project to address	Strategic Area	Re-opener Ref
PSTN Switch-Off	PRJ0770 - PSTN Upgrade		TEL01
PSTN Switch-Off	PRJ846 - PSTN Non- Sites		TEL02

6. Project delivery and monitoring

The projects listed in section 6 and detailed in the documents WWU-Cat.1, WWU-Cat.2 and WWU-Cat.3 are being tracked and governed through our Business Performance Development Committee. Members include our CEO, Executive Team and the relevant asset, IT, Finance, and delivery senior managers.

Our technology project delivery follows the PRINCE2 methodology, with key project products issued for sign-off at each agreed stage gate. These project products include key project information, such as agreed Project Sponsors, and project metrics, such as milestone dates.

The agreed project products for each of the projects outlined in this re-opener include Project Brief, Business Case, Project Plan, and Risk, Issues, Assumptions and Dependencies (RAID).

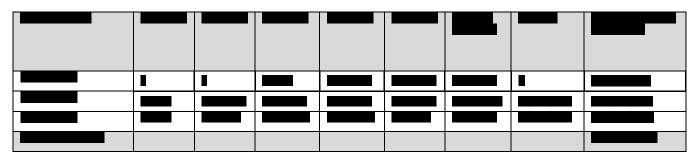
The summary level profile of planned upgrades and the key milestones for each are detailed in section 6 of the documents WWU-Cat.1, WWU-Cat.2 and WWU-Cat.3.

Price Control Deliverables (PCDs) to be used for monitoring the projects detailed in this re-opener application are proposed in section 9 of the documents WWU-Cat.1, WWU-Cat.2 and WWU-Cat.3.

7. Cost Information

The projects included in this re-opener application for additional allowances are works requiring funding to resolve genuine business impacts that were not fully foreseeable at the time of the RIIO-GD2 business plan submission and need to be resolved to ensure we are able to continue to meet stakeholder expectations. The values used in this re-opener are in 2018/19 prices.

The additional allowances requested split by category and total are shown in the table below in 2018/19 prices:



The documents WWU-Cat.1, WWU-Cat.2 and WWU-Cat.3 provide detailed costs for all projects that make up the three categories in this re-opener application, including planned cost profiles and breakdown to unit costs.

The following table provides a summary of re-opener allowance requested by category:

Important notes about rates used for deflation to 18/19 prices.

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The conversion factors used are set out in the table below:

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