

Specified Streetworks Costs Re-opener (STWt) Re-opener Application

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Document Security

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Guidance and Supplementary Information

The structure of this document follows the guidance set by Ofgem in its 'Re-opener Guidance and Application requirements Document'.

Introduction

This document sets out Wales & West Utilities Limited's ("WWU") application for additional RIIO-GD2 allowances to recover efficiently incurred costs and forecast costs under Special Condition 3.24 – Specified Streetworks.

Application summary

In 2020/21 (after RIIO-2 Business Plan submission) the majority of Highways Agencies in our network introduced permit schemes, providing local authorities the ability to place and enforce permit conditions which dictate the type of traffic management statutory undertakers (such as WWU) must use to complete their work. This impacts the direct cost of the traffic management that is required, and also restricts the way in which teams delivering works can efficiently operate.

Compliance with these permit conditions is mandatory and unavoidable. Over the last three years we have proactively adapted our processes and strengthened our engagement with local authorities to minimise the direct cost and productivity impact from these restrictions, however we have seen material increases in costs incurred.

This application requests additional allowances for efficiently incurred costs as a result of these imposed and enforced changes, separated under the following headings:

1. Traffic management costs – more expensive traffic management techniques mandated
2. Productivity impact on operational teams - the restrictive nature of working under permit conditions
3. NRSWA Costs - Road closures - increased road closure costs mandated by highway authorities

In 2018/19¹ prices our application is as follows:

	£m
Traffic Management	14.4
Permits - Productivity Impact	6.9
Road Closure costs	3.1
Total	24.4

Traffic Management costs, road closures and permit fee values are based on actual costs incurred in the first three years of RIIO-GD2 (April 2021 to March 2024), with forecast costs (April 2024 – March 2026) in line with historic actuals. Our application is net of costs allowed within our RIIO-2 allowances. Productivity impact values are based on actual permits in place April 2021 to August 2024 with forecast costs September 2024 to March 2024 in-line with year 3 actuals.

Cost Information

Traffic Management - £14.4m

Since the introduction of permit schemes, a change in legislation provided local authorities the power to place permit conditions which dictate the type of traffic management statutory undertakers must use to complete their work. The increase in works comments/timing and direction requests in Wales has followed the same pattern through noticing legislation.

Our RIIO-GD2 Business plan was submitted in December 2019 and costs (and subsequent allowances) were based on the historic average of RIIO-GD1. In 2020/2021, before the start of RIIO-GD2, the majority of authorities moved onto permit schemes. The application of the conditions from the local authorities in relation to managing their network has led to a significant increase in the use of traffic management mobilisation relating to key conditions placed upon us. These are unavoidable and have impacted the traffic management cost, and productivity of our teams.

Examples of the impact on WWU are as follows:

Permit Condition NCT08a:

Works shall only take place when the specified traffic management is deployed.

Operational impact: required to deploy more 2-way traffic lights and Multi Way Traffic lights (3- & 4-way lights) and any associated pedestrian crossings.

Cost impact: higher volume and therefore total cost of traffic management compared to our RIIO-GD2 business plan. Business plan costs were based on historical spend in RIIO-GD1 based on the permit conditions in place and local authority application

Change seen in RIIO-GD2: a significant increase in the mandating of these traffic lights.

Permit Condition NCT08b:

Traffic management deployed is manually operated between specified times.

Operational impact: traffic lights must be controlled/under watch by qualified contractor staff. These staff sit on site, sometimes for 12 hours per day, 7 days a week, ensuring traffic flow is managed effectively.

Cost impact: the traffic light equipment and the associated traffic management team are very expensive. [REDACTED]

Change seen in RIIO-GD2: manually controlled traffic management was rarely mandated in RIIO-GD1, however in RIIO-GD2 volumes have significantly increased due to the mandating by local authorities. Specifically, we have seen hotspots within Devon and Cornwall as well as the major cities we work in such as Bristol, Gloucester and Cardiff regions because of the controls enforced by the local authorities in managing their network.

Cost summary:

The table below sets out the year-on-year impact of all Traffic management costs resulting from the increasing restrictions arising from the above two permit conditions and increased requests from local authorities in Wales. Our application is only for allowances in excess of our RIIO-GD2 Business Plan submission:



Our forecast for years 4 and 5 is based on actual costs incurred in previous years; we assume no increase in year 4 and 5 cost base on that experienced in year 3.

Traffic management costs are variable with workload, and we delivered more Mains Replacement in Year 3 than we are forecast to deliver in year 4 and 5. We have applied a downwards adjustment to account for this reduced volume.

The productivity impact of the above is covered within the next section.

Permits – Productivity impact - £6.9m

The introduction of permit scheme conditions in England dictates a range of restrictions statutory undertakers must comply with. Following permit schemes being introduced in 2014, WWU had six local authorities commence permit schemes during RII0-GD1 who all are located on the extremity of our geographical network with low workload volumes, with the remaining thirteen local authorities commencing permit schemes post business plan submission.

Restrictions include.

- Specified working hours (extended hours and restricted hours),
- Materials to be removed daily, no materials to be stored on site
- No plant or machinery to be stored on site outside of the working day
- Engineering works only to take place on specified traffic management plan

Compliance with the conditions imposed and the additional requirements specified in the permit to work in the highway has had a significant direct impact on productivity across all our operational work activities.

An example of this is as follows:

Permit Condition NCT02a:

works shall only take place between specified days and times all other times highway to be clear.

Operational impact: Restriction on the working shift for the mains replacement teams, with work only being able to be undertaken between 9am and 3pm, resulting in 2 or more hours lost productivity, from traffic management mobilisation and coordinating additional deliveries and collections from site as well as making the site compliant and safe to road users.

Cost impact: two hours of productivity are lost for each team member on that scheme every day, for the whole duration of the scheme.

As Wales Highway Authorities remain on noticing schemes instead of permit schemes, we are unable to report on permit conditions for this area of the business. The challenges to productivity still exist within Wales through Section 65 timing and direction requests and works comments. Without the equivalent Street Manager permit data for Wales (explained below), the data captured through noticing is not as robust as the reporting for England. For this reason, we have decided not to include a claim for Wales, which accounts for one third of the WWU's Network. We note that, should Wales move onto Permit schemes in the future then this data would become available and in support of a productivity impact.

Work types impacted by permits

Although permit conditions are imposed on all works activities, WWU have only included the impact of some permit conditions that directly impact on the productivity of our major works, namely mains replacement and connections works.

Short duration works are less impacted compared to major works. As our smaller duration works tend to include a single engineering activity (e.g. lay new service) it is easier to work within the permit conditions without materially affecting productivity. For this reason, we have only included activities where productivity is directly affected and cannot be mitigated.

As mains replacement activities are major works schemes with multiple phases of the works that are completed over an extended period the impact of conditions (such as spoil to be cleared daily) has a greater impact to productivity compared to small duration works.

For mains replacement works our effective planning process helps mitigate the impact on certain permits imposed by working with the local highway authorities to agree the works programme to minimise the impact on the local community, although there are specific permit conditions in place that have a direct impact on the productivity of teams due to the constraints of the permit conditions.

Calculating the impact of each permit condition

We have reviewed each permit condition applied by the Highway Authority and the volume against each permit to identify the specific impact of that condition to the productivity of a team and the operational support functions across the business.

Volumes of permit conditions: Volumes have been extracted directly from our shared system with the highway authorities, "Street Manager", which is used across England by all highway authorities and statutory undertakers. This provides an accurate record of the volumes of permits and conditions in place on works completed from April 2021 to August 2024 for England only.

Productivity impact of each permit condition: We have carried out a productivity impact assessment for each permit condition as set out in legislation TMA 2004 and regulation 10 which details the types of conditions that authorities may attach to permits. This has been carried out by our Head of Streetworks alongside Operational Managers and Senior Managers who have the experience and time in role to quantify the unavoidable impact of each condition.

If a current business process is in place to mitigate the risk, no cost impact has been included. Furthermore, if a function of the business is not affected by the permit condition zero cost has been included.

The assessment of each condition, documented in an excel document has been submitted alongside this reopener application. The output of each productivity impact assessment is different dependant on the impact i.e. Some impact industrial FTEs, some impact Logistics or Reinstatement visits. A standard set of unit costs has been used across all calculations, with unit costs based on actual cost incurred.

The cost for years 1 to 3 reflect actual costs and are based on actual permit condition volumes. Year 4 reflects five months of actual data (to August 2024), with the remaining seven months of year 4, and year 5, based on year 3 and adjusted for volume. This is because Mains Replacement workload is lower in year 4 and 5 than year 3, therefore we have made a downward adjustment to reflect this workload decrease.

Cost impact per permit

The following shows the productivity impact of each condition, split between Mains Replacement and Connections (£m in 18/19 prices):

Mains Replacement - Permit Condition	2021/22	2022/23	2023/24	2024/25	2025/26 est.	RIIO-GD2
NCT02a	0.19	0.23	0.30	0.43	0.43	1.57
NCT02b	0.08	0.11	0.18	0.40	0.40	1.17
NCT03	0.00	0.00	0.03	0.05	0.05	0.14
NCT04a	0.00	0.08	0.40	0.09	0.09	0.66
NCT04b	0.10	0.11	0.13	0.06	0.06	0.46
NCT05a	0.00	0.01	0.05	0.03	0.03	0.12
NCT06a	0.05	0.03	0.03	0.00	0.00	0.12
NCT08a	0.02	0.04	0.04	0.05	0.05	0.20
NCT09a	0.11	0.15	0.18	0.24	0.24	0.91
NCT09d	0.00	0.00	0.24	0.28	0.28	0.80
NCT10a	0.00	0.00	0.00	0.01	0.01	0.02
NCT12a	0.00	0.00	0.01	0.03	0.03	0.07
	0.56	0.76	1.60	1.66	1.66	6.25

Connections - Permit Condition	2021/22	2022/23	2023/24	2024/25 Apr-Aug (5mths)	2025/26 est.	RIIO-GD2
NCT02a	0.21	0.09	0.08	0.09	0.09	0.56
NCT09a	0.01	0.01	0.01	0.00	0.00	0.04
	0.22	0.10	0.09	0.10	0.10	0.60
Total	0.79	0.86	1.69	1.76	1.76	6.85

Productivity impact values are based on actual permit volumes in place April 2021 to August 2024 with forecast values September 2024 to March 2024 in-line with year 3 actuals.

The following permit conditions (NCT's) have been excluded as deemed a lesser/no impact to productivity. or covered within traffic management costs e.g. NCT08b, so excluded to avoid double count.

Permit Condition	Condition Description
NCT01a	Works shall not commence before the proposed start date
NCT01b	Works shall not commence before the proposed start date and must commence within the valid starting window
NCT07a	Works shall only take place when the street or relevant section of street is closed to traffic.
NCT08b	The traffic management deployed is manually operated between specified times.
NCT09b	Works comprised in (specified activity A/B) shall only take place when the specified traffic management is deployed.
NCT09c	Works using portable traffic signals must be removed from use no later than 4 hours after completion of works.
NCT11a	Works shall not take place unless a site information board displaying the permit reference number and is always on the site.
NCT11b	Works shall not take place unless all individual properties and businesses have been advised on the nature duration and intended start date of the works.
NCT13	In the event of abnormal traffic flow due to exceptional national circumstance the permit may be revoked in such case the highway must be returned to use in 4 hours.

NRSWA costs – Road Closures - £3.1m

When designing and planning schemes, we consider all options available to us to arrive at the least cost option given the road restrictions imposed. Where minimum road widths cannot be maintained as per the safety code of practice, highway authorities now mandate the requirement for a road closure. With local authorities now applying legislation our road closure costs have increased since the RIIO-GD2 business plan.

Since the introduction of permit schemes, a change in legislation gave local authorities the power to place permit conditions which dictate the type of traffic management statutory undertakers must use to complete their work. The increase in works comments/timing and direction requests in Wales has followed the same pattern through noticing legislation. The application of the conditions from the local authorities in relation to managing their network has led to a significant increase in the use of traffic management mobilisation relating to key conditions placed upon us.

Permit Condition NCT07a:

Works shall only take place when the street or relevant section of street is closed to traffic.

Operational impact: required to close road to undertake works (note this does not lead to reduction in productivity and has therefore not been included in the above section of this application).

Cost impact: year on year increase in road closure costs following our RIIO-GD2 business plan.

Years 4 and 5 are based on actual costs incurred from previous years,

We have considered all NRSWA related costs impacted by changes in legislation and application by local authorities and note that road closures are the only material variance.

Cost impact of road closures

Stakeholder engagement

WWU engage with the 44 local highway authorities within our network. We attend monthly and quarterly meetings to discuss works programmes and key performance indicators. During these meetings we discuss our upcoming mains replacement schemes and co-ordinate with the local authorities on timescales, required traffic management and on the best time of the year to complete high-profile schemes.

WWU also attend Highway Authorities & Utilities Committees (HAUC) on a quarterly basis to ensure we are aware of any changes in legislation and keep up to date with any changes in working practices in the Streetworks arena.

WWU also engage with other statutory undertakers on a quarterly basis in working groups such as Southwest Joint Utilities Group, Safety at Streetworks working group, Streetworks UK Specification for the reinstatement of Openings in the Highway (SROH) working group and Streetworks UK Forum. This ensures WWU maintain a key understanding of working practices across the UK.

Consumer Benefit

Operating under the Gas Act, WWU has an obligation to develop and maintain an efficient and economic pipeline system and, subject to that, comply with legislation as per New Road and Streetworks Act 1991 (NRSWA) and Traffic management Act 2004 (TMA). Both acts clearly define how WWU must operate within a legislative framework. Within TMA it outlines in part 3 the requirements for operating within a permit scheme.

Appendix

