

WWU-Cat.3 - Non-operational Information Technology Capex Re-opener Application

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Document Reviewers	
Julian Hickson	Chief Information Officer
Richard Pomroy	Regulation Manager
Neil Henson	Director of Finance and IT

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Document Security

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3. Introduction

This document provides a breakdown of the deliverables for which Wales & West Utilities (WWU) seeks additional allowances via the August/September 2023 Non-operational IT re-opener mechanism. All costs within this document are in 2018/19 prices to align to the GD2 Business Plan and Ofgem Determination.

Included in this re-opener application are costs for projects that we have either already undertaken or are committed to undertake to deliver Fixed Line and Mobile network changes necessary to enable us to respond to the National Telecoms industry-led change programmes:

- PSTN Switch-Off - [REDACTED]
- [REDACTED] by our gas control system network provider.

The structure of this document follows the guidance provided by Ofgem in its '*Re-opener Guidance and Application Requirements Document v3 and Appendix 2 (Non-operational IT (IT) Capex Re-opener Application Guidance)*', publication date 17 February 2023, effective from 1 April 2023.

4. Core Narrative

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 submissions due to announcements by our suppliers during GD2 and need to be resolved to ensure we are able to continue to meet stakeholder expectations. These works are needed to change and upgrade the WWU network in areas impacted by National Communications Industry Changes. The key deliverable from these projects is [REDACTED]. There will be no change to current processes therefore no application is made for increased costs to implement or remedy processes or ongoing cost impacts.

PSTN Upgrades - [REDACTED]

[REDACTED]

[REDACTED]

Funding for changes needed to address the national PSTN Switch-Off was sought in our GD2 Business plan, [REDACTED]

5. Needs Case

5.1 Alignment with overall business strategy and commitments

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

PSTN Upgrades -

[Redacted]

[Redacted]

5.2 Demonstration of needs case/problem statement

[Redacted]

National Telecoms Industry Changes

[REDACTED]

TEL01 - PSTN [REDACTED] Upgrade Project:

Need: The allowance for PSTN-related changes requested in our GD2 business plan was based on an estimate built during GD1. Once project funding was made available in GD2 uncertainty was reduced by conducting detailed project analysis. Following this analysis the number of impacted sites identified has increased [REDACTED] since the GD1 estimate. However, we have contained the total planned cost of the programme at the value requested in the GD2 business plan due to project efficiencies. Since the Final Determination of GD2 allowance was [REDACTED] lower than our submitted business case value this re-opener application addresses the shortfall in funding. Expenditure will ensure we are able to [REDACTED].

Consumers and Assets: Our gas supply network operates 365 days a year, 24 hours a day to deliver gas safely and reliably to consumers' homes and businesses. This requires gas to be maintained in [REDACTED].

Risk being addressed:

[REDACTED]

Rationale: Additional expenditure will ensure we are able to [REDACTED].

TEL02 - PSTN: Non-[REDACTED] Sites

Need:

[REDACTED]

The sites differ in type, there is not a single type of hardware or system across all sites as there is with TEL01 so the solutions for these sites are diverse. Solutions will be designed on a site-by-site basis.

Risk being addressed:

[REDACTED]

Rationale: The replacement solutions for PSTN line Switch-off had not been announced during GD1 so the impacts on non-[REDACTED] sites could not be identified. [REDACTED]

[REDACTED]

TEL03 - [REDACTED]

[REDACTED] with an alternative communications solution.

Need: Our existing [REDACTED] announced in May 2023 that this service and infrastructure will be retired at the end of 2024. Our gas control system relies upon these communications to and from [REDACTED]

Consumers and Assets: Investing in new [REDACTED] will ensure WWU has a future-proof solution. The expected lifespan of these units is 5-10 years.

Risk being addressed: [REDACTED]

Rationale: The decision to upgrade this network technology was announced during GD2 and therefore not known at the time of the original submission of our GD2 business plan. [REDACTED]

6. Options Selection

6.1 Description of options considered and selection process.

National Telecoms Industry Changes

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] and therefore reducing costs associated with Network Shrinkage. This has been witnessed and evidenced as a learning point from the 'PSTN Replacement Project'.

6.2 Preferred Option Details

National Telecoms Industry Changes

TEL01 - PSTN [REDACTED] Upgrade

[REDACTED]

Scope

[REDACTED]

[REDACTED]

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

A POC was run to trial the installation and operation of the digital solution to replace the current PSTN solution. [REDACTED]

Project Approach

Delivery Resource

1. A WWU Project Manager is managing the project delivery and schedule.
2. The Site surveys and installations are being carried out by WWU resources.

Delivery Approach

1. The schedule for rolling out the upgrades/installations to our sites is planned between 2022 and 2025.

[REDACTED]

[Redacted]

[Redacted]

[Redacted]

TEL02 - PSTN Non [Redacted] Sites

[Redacted]

[Redacted]

[Redacted]

[Redacted] therefore solutions will be designed on a site-by-site basis in line with our IT communications strategy.

[Redacted]

[Redacted], is engaged to provide network support to the project.



Table 6.2.2 lists the [redacted] supplied sites and the proposed solution for each.

Table 6.2.2 – TEL02 Project Sites

[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]

The terms/abbreviations used are expanded in the Glossary (Section 2).



The rollout of replacement services is not universal across the region, and upgrades must be planned to align with the availability of suitable replacement products and services.

TEL03 - [redacted] Upgrade for <7Bar Pressure [redacted]



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

TEL02 - PSTN [REDACTED] Sites Project Schedule:

Project start date: October 2023
 Project completion date: March 2025

The project has [REDACTED]. [REDACTED]
 [REDACTED]
 [REDACTED] and therefore
 solutions will be designed on a site-by-site basis [REDACTED].

TEL03 - [REDACTED] :

[REDACTED]

[REDACTED]

Table 6.3.3 - [REDACTED] Upgrade Project Work Breakdown - sites per year:

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

7. Stakeholder engagement and whole system opportunities

Our Emissions commitments and targets are laid out Section D, Chapter 14 of our RIIO-GD2 Business Plan.

. The material impact on sustainability of this project is wholly carbon related. Pressure management within the network makes a significant contribution to the reduction of carbon emission through leakage. We have an Ofgem commitment to reduce shrinkage by 10% during GD2 and improved pressure management supports this target.

The design and delivery of these initiatives was determined via recurring engagements with Service, Security, and Operations to ensure the design will be secure by design, aligned to service requirements.

Table 7.1 - TEL01 - PSTN GasCore Upgrade Project

Output Category	Output Measure	Impact of investment on outputs	Stakeholders Engaged
Safety	[REDACTED]	[REDACTED]	[REDACTED] Network Manager, Network Technicians, Asset Officer. PSTN line SME
Environment	[REDACTED]	[REDACTED]	[REDACTED] Network Manager, Network Technicians, Asset Officer. PSTN line SME
Financial-Shrinkage	[REDACTED]	[REDACTED]	Asset Management

Table 7.2 - TEL02 - PSTN Non GasCore Sites

Output Category	Output Measure	Impact of investment on outputs	Stakeholders Engaged
Reliability / Customer Satisfaction	Without replacing PSTN WWU will find service provision from all sites adversely impacted.	This project will enable WWU to maintain service provision from all impacted sites.	IT Projects Board IT Service Team IT Architecture Team

Table 7.3 - TEL03 - [REDACTED]

Output Category	Output Measure	Impact of investment on outputs	Stakeholders Engaged
Safety	[REDACTED]	[REDACTED]	[REDACTED]
Environment	[REDACTED]	[REDACTED]	[REDACTED]
Financial Shrinkage	[REDACTED]	[REDACTED]	[REDACTED]

8.1 Level of detail of cost information

Efficiencies and Assumptions:

- [REDACTED]
- [REDACTED]
2. Storage and Distribution cost is expected to be handled within the current network management capabilities and as such is not expected to incur any additional cost. This will rely upon smaller deliveries of equipment occurring at regular intervals throughout the project rather than one large delivery. Deliveries will be to each depot and stored locally.
 3. The requirement for removal of foliage to ensure clear access to extremity cabinets. Routine maintenance is already in place for overgrowth, site encroachment of foliage. Where additional removal of encroaching or overgrown trees are impeding access, our management team will source internal resources to remove what can be completed internally or discuss with Local Authorities or customers.

Notes:

The installation plan on which annual spend is based is high-level for future years. The annual breakdown of spend may vary slightly once site-by-site planning is complete. Work will continuously be reviewed to utilise the opportunity to deliver the work aligned to maintenance plans efficiently (i.e., site works for this project will be planned to coincide with scheduled site visits to ensure efficient delivery of this project).

Actual expenditure incurred has been deflated using the relevant years deflation rate. Forecast expenditure out to 25/26 has been costed in 23/24 prices (prices quoted or experienced in the year of this reopener submission), and therefore deflated using a 23/24 conversion factor.

The conversion factors used are set out in the table 8.1.1.

Table 8.1.1 – Conversion Factors

Year	Financial Year Average (RPI+CPIH)	Combined RPI+CPIH real to nominal prices conversion factor
2018/19	[REDACTED]	[REDACTED]
2021/22	[REDACTED]	[REDACTED]
2022/23	[REDACTED]	[REDACTED]
2023/24	[REDACTED]	[REDACTED]

9. Project Breakdown and Delivery Management

Delivery Management

Our 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 project products for each of the three projects outlined in this re-opener document are available on request, including Project Brief, Business Case, Project Plan, and Risk, Issues, Assumptions and Dependencies (RAID).

Table 9.1 - Project Monitoring - Proposed PCDs:

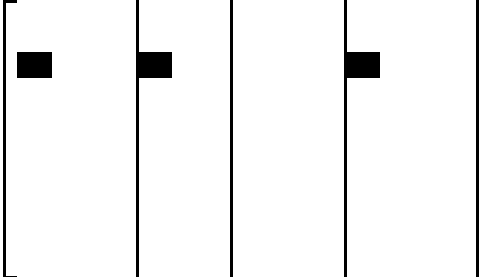
Project Area	Output	Delivery dates	Adjusted Allowance					
			21/22 (£m)	22/23 (£m)	23/24 (£m)	24/25 (£m)	25/26 (£m)	Total (£m)
TEL01 PSTN Upgrade	[Redacted]	[Redacted]						
	[Redacted]	[Redacted]						
TEL01 PSTN Upgrade	[Redacted]	[Redacted]						
	[Redacted]	[Redacted]						

TEL02
PSTN Sites

[Redacted]

[Redacted]

[Redacted]



TEL03

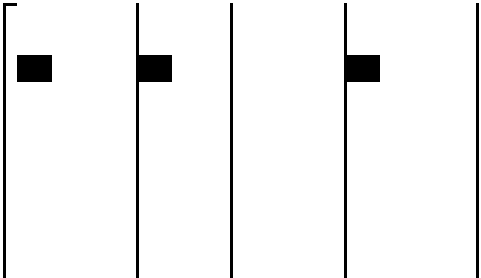
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Benefit

[Redacted text block]

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2.

plan.