
APPENDIX A18

NETWORK ASSET MANAGEMENT STRATEGY

11th December 2024

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1 Our Network Asset Management Strategy aims

This Strategy establishes a high-level framework for ultimately achieving our asset management objectives. This document aims to:

- outline our approach to asset management (including how we use the Network Asset Risk Metric (NARM) to form a view of safety, compliance and risk management across both NARM and non-NARM assets);
- define our stakeholders;
- define, describe and justify our asset management objectives.

The overall objective of this Strategy is to promote asset health and long-term operational resilience across all of our assets – this includes both our lead and non-lead assets.

1.1 Our approach to asset management and resilience

Our approach to asset management enables us to successfully maintain a Gas Distribution Network (GDN) safely and efficiently, in a frontier position ahead of other network operators. We achieve this through our dedication to the task at hand, aided by our Resilience Framework set up to pinpoint 'key systems' where resilience is particularly critical. It brings together our individual resilience strategies in those areas and provides a framework to standardise the way they are set.



Figure A3: Resilience Framework overview

Our Resilience Framework is based on five core principles to manage our overall resilience:

- We invest in the right areas to improve our **resistance** to withstand the negative effects of hazards facing our business.
- We improve our **reliability** to reduce the risk of system failure or downtime.
- We ensure that we build in **redundancy** into our systems and avoid reliance on a single system or input which could then impact our performance.
- We consider how we can **respond and recover quickly** when things do go wrong.
- We **reflect** on our experiences regularly and build in reviews so that we can continually learn and adapt.

We describe our Resilience Framework in four parts. To ensure resilience, we:

- **Understand the potential hazards** to our business activities and their associated impacts. We can assess the likelihood of the hazard occurring both now and in the future.
- **Assess shocks and stresses to our systems** and implement appropriate strategies to manage those hazards.
- **Quantify controls** as interventions to our systems which will ensure they are resilient to the hazards and mitigate the risk over time.
- **Measure our resilience**, for example, through our outputs reported to Ofgem, customer satisfaction scores (CSATs) or our credit rating stability. Throughout RIIO-GD3, we will also be updating our systems to allow for common metrics on workforce and climate resilience reporting.

Our Asset Management Policy delves into more detail on the asset management approach we adopt, but the Network Asset Management Strategy specifically focuses on a number of key ways we ensure **best in class asset stewardship**.

1.1.1. Aligned objectives

We recognise that all of our daily asset decisions need to tie back into the broader picture reflected by our business direction. We do this by ensuring that there is a clear **line of sight** between our **vision and purpose**; our **business objectives**; our **RIIO-GD3 Business Plan and Network Asset Management Strategy**; and our **asset-level plans and activities** (see Figure A4). As shown, there is a clear and consistent link across all of our longer- and medium-term goals, and our shorter-term aims and ongoing activities. Furthermore, an overview of our RIIO-GD3 Business Plan and our Business Objectives is contained within Chapter 1 of our Business Plan.

Our operational efficiency and effectiveness drives our optimal programme delivery. It is imperative that we deliver on these programmes if we are to fulfil our RIIO-GD3 Business Plan promises. This in turn ensures that we can meet our customers' needs and manage our stakeholder expectations.

A structured approach enables us to prioritise by planning at appropriate levels and consistently keeping the overall purpose at the top of the agenda (see sections 1.12-1.14 for further details). We understand that a key objective for us as a gas distributor is to provide our core business services safely and efficiently and to ensure value for our customers – this is reflected throughout our strategic hierarchy.

1.1.2. Vision and Purpose

Our vision

A fairer greener future for the North of England.

Our purpose

We will keep customers safe, colleagues healthy, homes warm and businesses and industry powered up. We strive to do the right thing – tackling inequality and supporting our most disadvantaged customers. By keeping our network reliable and productive we will deliver a cleaner energy future and ensure outstanding value for everyone.

1.1.3. A long-term strategic view

We have a well-defined vision, purpose and business objectives, which have been established and tested with our colleagues and other stakeholders in mind. Doing so is paramount to effective asset management. Our approach not only aligns with our broader business objectives but also ensures the reliability of the network, which is crucial for delivering safe and efficient core business services to our customers. A long-term strategic outlook ensures that all asset management decisions are consistent with the overarching goals of the organisation. This alignment, as highlighted in the strategic hierarchy depicted in Figure A4, enables decision makers to maintain a clear line of sight between their daily activities and the company's vision, purpose and objectives. Long-term strategic planning helps to ensure that resources are allocated efficiently, balancing immediate needs with future demands.

Due to the uncertainty in the gas industry, it is crucial to adopt a long-term perspective grounded in a consistent strategy. The latest Future Energy Scenarios assumptions (FES24) offer this framework. We continuously monitor, evaluate and incorporate FES24 assumptions into our decision-making processes, ensuring that we remain aligned and current with the latest policy changes affecting our sector. Chapter 4 of our RIIO-GD3 Business Plan provides additional detail on this.

By keeping a strategic perspective, we can manage our assets safely, efficiently and sustainably, delivering more value to our customers.

1.1.4. Our RIIO-GD3 Business Plan

A key part of our regulatory obligation is to provide our stakeholders with a Business Plan outlining our intentions and funding needs for a specified future term. The latest term (RIIO-GD3), as defined by Ofgem, spans five years between 2026 and 2031, providing us with an opportunity to secure the funding necessary to operate a gas network safely and efficiently, in compliance with our licence conditions.

The business-planning process allows us to take a step back and critically examine our past performance with a view to continuous improvement and evolution for the future. This will ensure that we can always provide the best value to our customers.

During RIIO-GD2 we have been successful in achieving our Strategic Asset Management Objectives. In RIIO-GD3 our aim is to continue with the same approach and maintain the starting level of monetised risk (+/- 10%). The reason for this is that our safety, efficiency and customer service record is already outstanding, and although we are keen to improve it further where possible, we must continue to balance the perceived benefits with the cost. Our stakeholder engagement is proving the emergence of 'affordability' as a key focus area, along with 'safety'. We must therefore continue to seek efficiency in all of our activities, now more than ever.

Section 1.1.9 provides an overview of the RIIO-GD3 Business Plan investment proposals on our key network assets.

The asset management and investment decisions we make are thought out based on evidence and ultimately lead us to achieving our asset management and business objectives. Our Investment Planning Policy, a document that guides users through our investment process for capital and replacement investments, provides a concise overview of the tangible and intangible factors feeding into the decision-making process. This leads to 'optimum investment' and ensures that it is a clear and transparent exercise (see Figure A5).

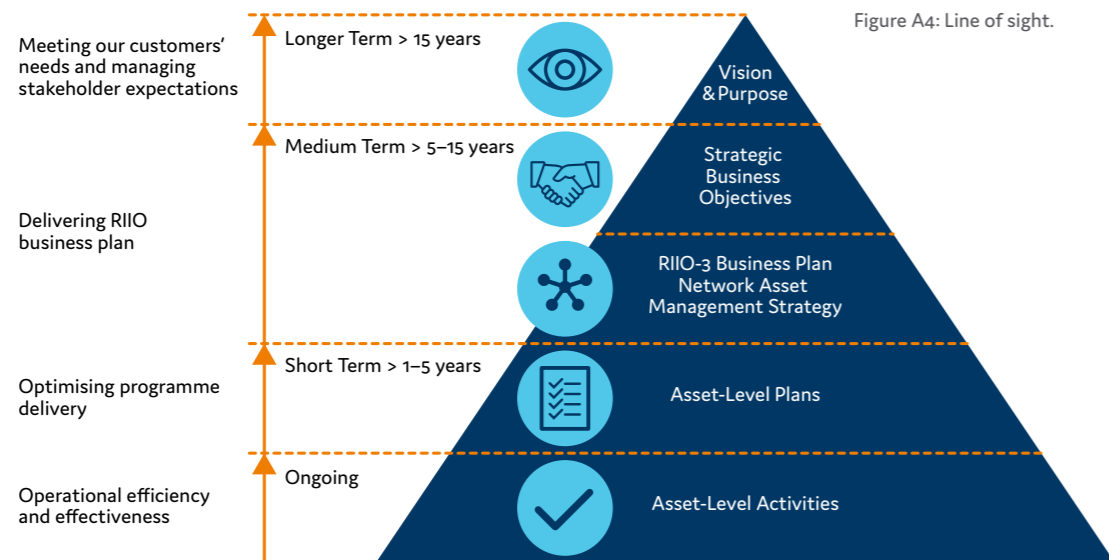


Figure A4: Line of sight.

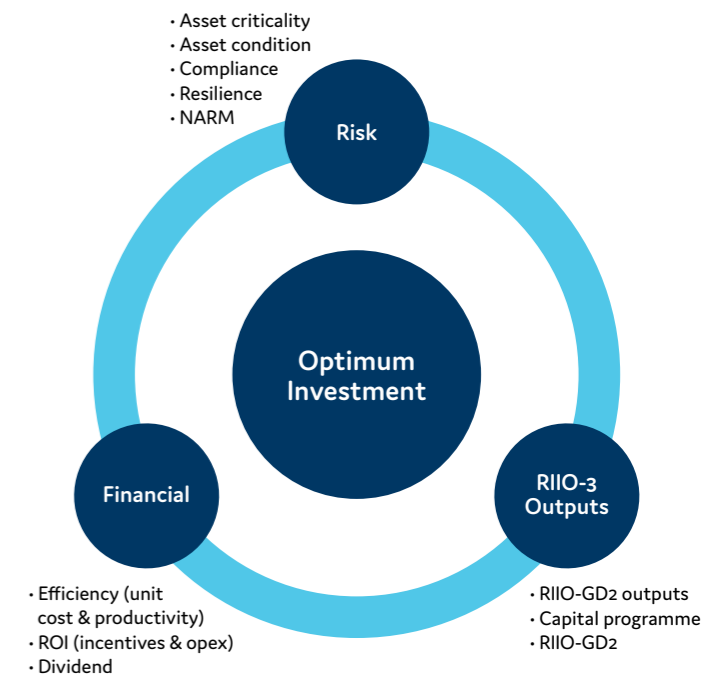


Figure A5: Optimum investment – NGN Investment Planning Policy

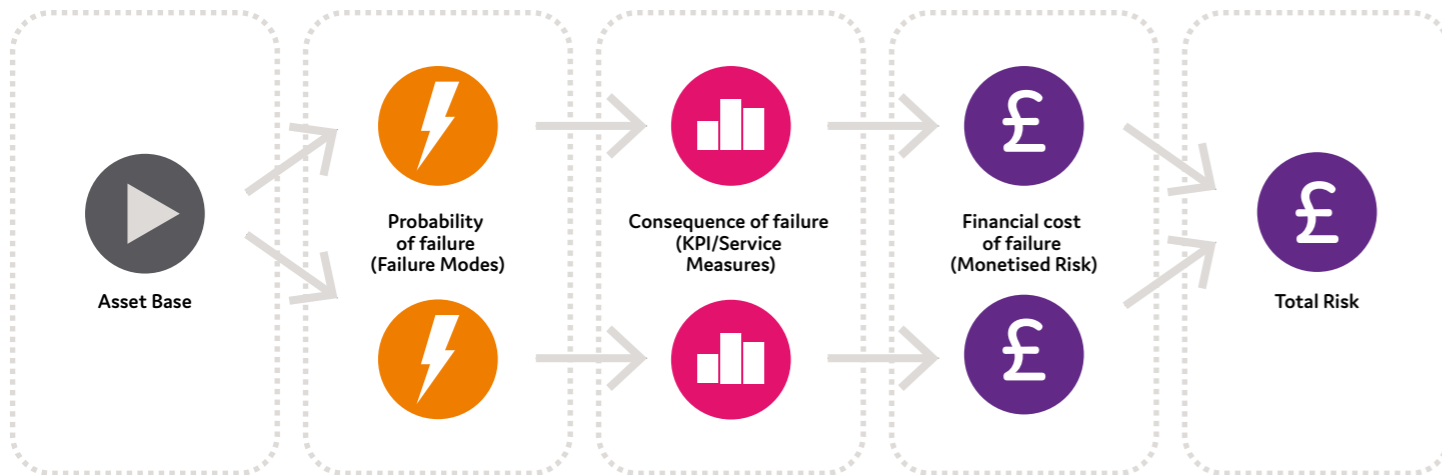
1.1.5. Risk-based decision-making

As part of our regulatory framework, network operators have adopted a standardised way of measuring risk – the Network Asset Risk Metric (NARM). It utilises asset data in a calculation of the probability of asset failure and consequence of that failure, resulting in assigning a monetary value to the level of risk an asset carries in pounds of risk (£). This provides a consistent, evidence-based approach across the sector to measure risk, supported by comprehensive methodology which is subject to regular review and scrutiny. We also recognise that a standardised approach cannot always reflect the intricacies associated with individual networks. For example, the cost associated with loss of supply within the NARM value models takes a high-level average view of this factor. However, using a value that is more akin to evidence seen at the individual network level is clearly truer to life and will produce more accurate outcomes. We therefore employ an adapted version of NARM Value Framework called NGN Value Framework, to ensure that the output is as realistic as possible. This also provides us with an opportunity to test and propose continuous improvements to the NARM methodology.

Managing our NARM assets:

We use a decision support tool (DST) to aid us in conducting these complex calculations and modelling. It allows us to understand and sectionalise the risk across our network asset base. It also enables us to appraise different intervention, cost and outcome scenarios in preparation for review and scrutiny from our subject matter experts (SMEs) within the business. Figure A7 shows how all of the individual streams flow into our DST and eventually lead to our asset decision.

Figure A6: NARM total risk formula



When justifying our capital programme, the monetary value of each consequence measure is calculated to determine the benefit or avoided cost of an intervention. Examples include:

- **Customer risk:** We avoided GDN costs through a reduction in costs of supply incidents (loss of supply). These costs have been calculated from historic incidents, and the probability and scale of the incidents are based on NARM models.
- **Health and safety risk:** There are societal benefits in avoided costs through reductions in the probability of fatal or non-fatal injury. These costs are in accordance with the NARM methodology.
- **Environmental risk:** There are societal benefits in avoided costs through reductions in the volume of carbon emitted when gas is leaked or consumed. These costs are in accordance with the NARM methodology and industry-approved values.
- **Compliance risk:** We avoided GDN costs through a reduction in the costs of fines and paying for explosion damage. These costs are in accordance with the NARM methodology. They have been separated from direct financial risk as we consider them highly uncertain and likely significantly underestimated by the values in NARM, which does not consider reputation, legal and handling costs.
- **Financial risk:** We avoided GDN costs through reductions in the costs to fix assets on failure and the direct financial cost of the gas leaked from and consumed by our assets. These costs are in accordance with the NARM methodology.

Managing our non-NARM assets

In cases where the NARM, or NGN-specific value models, cannot be applied through our DST, we maintain consistency by applying the same principles of probability and consequence of failure manually, in a simplified way, using the same sources of data. We place great importance on the information we hold on our assets – data which we continually strive to improve and perfect. This includes general asset attributes such as location, size or material, health assessments and overall condition scores which inform the final risk allocation. Additionally, our Risk Management Framework Procedure provides us with a structure to assess identified risks and mitigation options consistently.

Figure A7: Decision support software



1.1.6. Business input

Adopting an approach where asset decisions are influenced by a wide range of business areas helps to bring views and ideas together, thereby ensuring that key inputs do not get missed. It also ensures that people involved 'own' the decisions made and reinforces our commitment to a culture where everyone feels safe and valued through encouraging open dialogue.

It is equally important that engagement comes from all levels. We addressed this through the creation of the Asset Strategy Steering Group, where the senior leadership team is able to input into, and challenge, the short-, medium- and long-term plans for asset management. This ensures that the correct level of governance is being attributed to our asset management decision-making process.

By fostering an environment of trust and mutual respect, we enable colleagues to have those necessary conversations at all levels. It is through this honest and transparent communication that we can identify areas that need improvement and implement meaningful changes.

1.1.7. A standardised approach

The importance of understanding our asset base cannot be understated. With that understanding comes the appreciation that most asset classes have unique aspects, not shared by others. That said, treating each asset class as a bespoke entity is not always preferred; often due to the difficulties of comparing the investment opportunities and benefits that those investments may bring. Wherever possible, we aim to utilise closely linked methods of risk and benefit assessments, to ensure that the approach we take is standardised across the business.

1.1.8. Assurance

To ensure that our asset management approach is robust, we have implemented a comprehensive assurance process. This involves regular internal audits conducted by our audit team, who meticulously review asset data, the processes surrounding its utilisation and the follow-up decision-making. These audits help identify gaps and areas for improvement, and ensure compliance with our Risk Management Framework Procedure.

Additionally, we enforce rigorous internal procedures, including peer reviews and validation sessions with SMEs. This collaborative approach ensures that our methodologies are scrutinised from multiple perspectives, fostering a culture of continuous improvement. By integrating feedback from various business areas, we enhance the accuracy and reliability of our asset management plans.

Regular internal workshops are conducted to keep the whole team informed about the latest proposals and regulatory requirements. These initiatives not only bolster our internal capabilities but also align our approach with the latest industry standards.

Our assurance process is further strengthened by leveraging advanced tools such as the DST. This tool aids in complex calculations and modelling, providing a clear and sectionalised understanding of risks across our network asset base. By simulating different intervention, cost and outcome scenarios, we prepare for thorough review and scrutiny, ensuring that our proposals are well-founded and evidence-based.

Ultimately, involving all tiers of the business in the decision-making process offers intrinsic assurance. The Asset Strategy Steering Group contributes to and scrutinises the strategies formulated, thereby ensuring that there is thorough oversight.

1.1.9. Our Asset Management Policy, Plans and Activities

Our Asset Management Policy (NGN/PL/AM1) outlines NGN's principles and approach to asset management, which is required to deliver our core business services:

- Customer energy transportation services
- Customer emergency services
- Customer connection services
- Information services for customers

At NGN, we consider asset management to be far more than simply 'managing assets'. It's a way of working; principles by which we can assure ourselves and our stakeholders that we are applying best practice to deliver our business services.

The purpose of the Asset Management Policy and related documents is to provide the tools needed to derive optimal value from all of our assets. It acts as a link between the strategic elements of business planning and the more practical steps required to realise them. Highlighted within our Asset Management Policy document is the scope of our asset portfolio. We recognise that an asset is anything from which we can realise value, and as such, we consider both network lead and non-network assets, or non-lead, in scope. This includes physical gas distribution assets and assets such as data, people, fleet and facilities.

The individual asset-level plans are the next step in the line of sight. They provide a view of the asset lifecycle activities and identify key contributors to the decision-making. They also specify the deliverables we aim to achieve in a given period and the reasons for those deliverables being prioritised. It is a defined short-term plan for each of the asset classes that enables us to manage and adapt in view of changing priorities and hazards as outlined in our Resilience Framework. These deliverables are then managed through our asset-level activities. The activities range from asset improvements to replacement, refurbishment, reactive or proactive maintenance, and general data collection. Each of the activities has an important role to play in the achievement of our asset management objectives, such as keeping our assets safe and resilient or doing this in an effective and efficient way. The outline and description of the Strategic Asset Management Objectives is one of the core aims of this document and is laid out in Section 1.3.

In order to set out our priorities for the RIIO-GD3 period, we first had to assess the overall risk position of our assets using the NARM methodology outlined previously. Table A2 shows that our monetised risk position is at the beginning of RIIO-GD2 is £588.85m.

£m			
Starting risk position (RIIO-GD3)	Ending risk position (RIIO-GD3) No intervention (N/I)	Ending risk position (RIIO-GD3) With intervention (W/I)	Risk delta
588.85	666.35	572.68	N/I 177.5 W/I (16.7)

Table A2: Overall baseline risk position at RIIO-GD3

We do not consider this to be an acceptable level of risk because our key focus as a gas distributor is to deliver a safe and reliable gas network and we have been able to achieve this maintaining the risk at the starting level. An increase of over 13% therefore is not acceptable. In order to mitigate this risk down to a more acceptable level, we have determined that we should continue with a robust investment programme to ensure our assets remain safe and reliable. Undertaking these interventions reduces our risk position by £16.17m and maintains a high quality of service for our customers.

A summary of network asset-level proposals for the RIIO-GD3 period is provided in Table A3:

Investment area	£m			Risk delta
	Starting risk position (RIIO-GD3)	Ending risk position (RIIO-GD3) No intervention (N/I)	Ending risk position (RIIO-GD3) With intervention (W/I)	
OT and PRS	70.7	83.08	73.01	N/I 13.01 W/I 2.94
LTS pipelines	12.41	13.70	6.99	N/I 1.29 W/I (5.42)
Governors	21.97	25.34	24.00	N/I 3.37 W/I 2.03
REPEX	188.82	214.02	149.58	N/I 25.20 W/I (39.24)
Pressure management	88.81	90.98	81.07	N/I 2.17 W/I (7.74)
Reinforcement	197.48	229.52	228.99	N/I 32.04 W/I 31.51
Overcrossings	9.30	9.72	9.05	N/I 0.42 W/I (0.25)

Table A3: A summary of network asset-level proposals

1.2 Our stakeholders

Our asset management activities, both now and in the future, are underpinned by our requirement as a GDN operator to deliver gas safely to our customers. To continuously achieve this requirement, we consider how the management of our assets will affect not only our direct customers but also our broader stakeholders. We consider them to include the following:

- Customers (both current and future)
- Our colleagues
- The public
- The environment
- Other gas distribution networks
- Our regulator – Ofgem
- Our owners – CKI Group
- The Health and Safety Executive (HSE)
- Shippers
- Suppliers
- Regional and local government
- The media
- Regional utilities
- Trade bodies and industry groups
- Education and community bodies

We know that the development of our current and any future business plans requires appropriate levels of engagement with relevant stakeholders. We focus on meaningful, proportionate and honest engagement and have embedded this well-developed approach into our ‘business-as-usual’ activities. The learnings achieved through these efforts ultimately inform our Network Asset Management Strategy and subsequent asset-level plans.

Table A4 outlines some of the insights which have helped us to shape this plan. In developing our Strategy, we have ensured that our long-term aims are consistent with our stakeholder insights.

Table A4: Stakeholder insights

What we heard	Appendix A3
The likely reduced role of the gas networks in the future needs careful planning given low stakeholder awareness and some resistance to moving to low-carbon technologies (LCTs). There is a need to avoid overburdening those who can least afford to pay for a reduced gas network, with a potential role for innovation in RIIO-GD3.	Insight 7
NGN's focus should be on keeping customers' daily activities on track by providing reliable and uninterrupted supplies and minimising disruption. Current performance is great and NGN can play a role in driving up industry standards.	Insight 8
Financial hardship continues to be the dimension of vulnerability that most customers prioritise.	Insight 15

1.3 Our Strategic Asset Management Objectives

This section sets out our long-term risk objectives and considers in more detail how this impacts our decision-making.

The key component in our asset management system is the Strategic Asset Management Objectives (SAMOs). They aid a more focused approach, providing structure and informing asset-level plans.

Our SAMOs have been developed in line with our stakeholder engagement and in collaboration with our colleagues to support the development and review of our individual asset-level plans. These plans provide the link between our asset-level activities and our business objectives.

NGN has a range of aims which impact asset management. Some of these are externally supplied, such as legislation and industry guidance, and others are commitments which are developed and agreed within the business, such as our business objectives. These have been translated into five SAMOs, which we are committed to continuously deliver on through our asset management decisions:

- Our assets are safe and resilient
- We are efficient and effective
- We optimise the potential of our assets now and for the future
- We treat the environment as a customer
- We deliver excellent customer service

1.3.1. Our assets are safe and resilient

We must ensure that we can deliver a service to our customers in the short, medium and long term, and do so safely. The consequences of not distributing gas safely are severe. We must therefore ensure that we manage our assets to a level of safety that is practicable, within the requirements of appropriate legislation, policies and procedures, and balanced, given our other strategic objectives. We must also account for the ongoing maintenance of the integrity of our assets. Our colleagues have identified the following as the key enabling themes to ensure that we can meet this objective:

We will always consider safety

We will develop and continually review asset-level plans with a key focus on safety. Ensuring that, as a minimum, we meet all legal and regulatory requirements, we will continue to set challenging targets in the field of safety. We will take a holistic view across the full scope of our asset portfolio to ensure a balanced and appropriate approach to safety.

Given the nature of the product we transport through our pipelines, we must ensure that all network operations we conduct are safe. This includes the physical operations themselves and the people that carry them out daily. The scope of this extends beyond physical operations carried out on our network to other day-to-day activities, with examples including moving around offices and driving to our places of work, in addition to ensuring our colleagues are safe while online. To do this, our culture should reflect that safety is a high priority for us as a business and act accordingly in the decisions we make.

We also recognise the need to continually review the ways we operate. New industry regulations, changes in the use of our network and the techniques used in maintaining it all lead to new opportunities to raise safety standards. No matter what the operations are that we do now or in the future, anything we do must be safe for our colleagues, our property and the public.

We will proactively mitigate against the impact of severe events

We will give consideration to the likelihood and consequence of severe events and incorporate these into our approach to asset management. Our decision-making will consider what we know and what we will continue to learn about regarding severe events caused by climate change, business continuity and security risks, the political landscape, and so forth. We will apply appropriate operational, tactical and strategic initiatives to mitigate and manage such risks.

We will ensure business resilience by planning ahead

To continue to deliver the core functions of our business, we must ensure that we operate both safely and securely now and in the future. By developing and reviewing our asset-level plans in the light of our Resilience Framework, we can identify potential future risks to the business. This will ensure that our plans and operations allow our business to be resilient to these risks.

Given the ever-evolving security threat landscape and the very nature of security threats being unpredictable, we will ensure that consideration is given to the security of our asset portfolio and what that means to our specific asset classes.

Business resilience means ensuring that we can continue to deliver a service to our customers in an uncertain future. We will develop our understanding of possible future scenarios for our business by working with stakeholders. We will seek to optimise our workload and resource requirements against these different future scenarios to continue to deliver value to customers and stakeholders.

1.3.2. We are efficient and effective

We will deliver maximum value to our stakeholders through a focus on the performance levels and efficiency of our assets. We believe that being efficient is not only about reducing costs but being able to implement the correct processes and then continually improve them. Our colleagues have identified the following themes that will enable us to meet this objective:

An efficient and effective workforce

Having a workforce that operates collaboratively and communicates effectively is a significant contributor to achieving our asset management objectives. While our A7 Workforce and Supply Chain Resilience Strategy explores and aims to tackle this in more detail, it is important to outline the requirement in the light of asset management. Our asset-level plans will consider how we are able to achieve the maximum value from our workforce, while understanding what the requirements of our workforce will be in the future.

Our colleagues need to have good knowledge and understanding of our business as well as their own roles and responsibilities. Working collaboratively relies on a multi-skilled workforce where colleagues can support each other and have a clear vision for success. A critical success factor in ensuring that we achieve this is having appropriate training for all of our colleagues now and in the future. We already employ a system of RACI (Responsible, Accountable, Consulted, Informed) and Competency matrices that aid in recording relevant information, pinpointing gaps and then filling them.

With the potential for a different range of futures for our business, identifying the key skills we may require going forward will be essential in ensuring that we maintain an effective workforce. This could be achieved through forging closer relationships with universities and local education, ensuring knowledge is transferred between existing colleagues and enlisting external expertise when necessary.

An efficient and effective use of data

Utilising the data we have properly will be essential to ensuring that we can make conscious decisions to deliver value over the longer term.

A precursor to doing this is to ensure that the quality of our data provides confidence in the output once the data has been analysed. Part of ensuring good data quality will be to implement appropriate data governance, assurance and digitalisation strategies to make sure that the data we continue to collect is accurate and fit for the purpose it is intended.

Identifying new ways of working

In the development and delivery of our asset-level plans, we will continue to explore new ways of working and consider these within our asset decision-making processes. The identification of alternatives to current practices will ensure that we maximise our ability to be efficient and effective in the way we manage our assets.

We need to prepare for a different range of futures, including facilitating alternative gases, a requirement for more fuel-poor connections or even integration of the gas network with multi-vector networks. Part of being prepared for the future will mean that we need to be prepared to adapt and identify new ways of working, as well as considering the impact of our investments over a longer time frame. We will implement this through the adaptation of the NARM methodology to include long-term risk benefit, rather than just focusing on the initial intervention impact in the short term. This will help to ensure that we remain as efficient as possible, maximising the value delivered by our assets.

1.3.3. We optimise the potential of our assets now and for the future

In optimising the potential of our assets, we will ensure that our entire asset portfolio is and will continue to deliver as much value to our stakeholders as it possibly can now and in the future. To facilitate this, our colleagues have identified the following enabling themes:

Optimise our data

We will develop asset-level plans that aim to leverage the most value possible from the data we can gather about our assets. We will also continue to explore new and improved ways of gathering, managing and utilising this data.

Our Digitalisation Strategy explores this in more detail. However, it is vital to outline in the context of asset management that data processing capability is increasing. This is both through new technology and new skills and capabilities. We therefore have an opportunity to increase the value we can drive from the data we capture or can capture going forward. Greater visibility of our network would be beneficial in some cases; for example, our ability to foresee severe events and mitigate the impacts early.

Optimise the potential of our colleagues

Our colleagues are the most important asset that we have. In addition to making up a fair share of the cost, people harbour much of the company risk, while being the source of the greatest potential to deliver value. Therefore, we must continue to embed smarter work management principles for our colleagues in the short, medium and long term to ensure that they develop alongside our physical network and non-network assets.

Optimise our existing asset base to deliver value

We recognise that optimising the potential of our assets is not just about looking to the future and what assets will be required. We also have other options, such as the potential to extend the life of our current assets to deliver extra value. Such examples could include reviewing the historical pressure cap on mixed material networks or growing our knowledge on the condition of our below-ground assets to determine whether the replacement age can be increased.

We must manage our infrastructure to deliver enduring value for our customers and stakeholders.

Optimise our capability to accept new sources of gas

Given the rapidly evolving UK energy policy landscape in relation to decarbonisation, it is imperative that we stay abreast of the changes and adapt our strategies accordingly. Notable recent developments include the government's revision of its gas boiler ban target to phase out 80% by 2035, the Future Homes and Building Standard's proposal to prohibit fossil fuel heating in new homes built from 2025, and the anticipated 2026 decision on the role of hydrogen in heat decarbonisation.

While long-term methane demand is expected to decline, its importance in domestic use, industrial processes and power generation will persist strongly through the RIIO-GD3 period. As a result, our focus in RIIO-GD3 will be to prepare for decarbonisation while maintaining a safe and resilient network. Our plans include projects for network sectionalisation, increased utilisation of biomethane and even hydrogen blending, as described in Chapter 4 of our RIIO-GD3 Business Plan.

Develop our capability to objectively measure risk and value

We will continuously review and improve the processes and tools we use to measure risk and value to ensure that the decisions we make are robustly supported and justifiable.

Our well-established NARM and NGN Internal Value Framework models allow us to do this effectively already across a large part of our asset base. However, we are always keen to evolve. We will do this by challenging the existing practices and tools, seeking alternative options and developing the methodology currently applied, all while collaborating with other distribution networks and our regulator Ofgem.

We will also continue to support our decision-making through the knowledge and expertise of our colleagues. This will allow us to make quantifiable, optimal and justified choices for every asset management decision.

1.3.4. We treat the environment as a customer

We will be recognised as having a flexible and proactive approach to continuously improving our contribution to the environment and society through balanced decision-making.

Being environmentally and socially responsible goes beyond the physical environment. The office environment where our colleagues work and the social support they have is as important in making sure that we perform optimally as a business.

As recognised in our [People and Planet Strategy](#), our environmental and social impact is as important as any other area of our business and should be recognised in equal standing through our decision-making processes. Our colleagues value the environment and want to be socially responsible, mirroring the expectations of our stakeholders – we treat the environment as a customer.

The following themes have been identified as enabling this approach:

Our colleagues are environmentally and socially aware and focused

The development of our colleagues and the development of our asset-level plans will include focus on the environment in which we operate, both the physical and social. Acting in an environmentally and socially responsible way starts with our colleagues. As identified in our RIIO-GD3 Environmental Action Plan (see Business Plan Appendix A6), we are conscious of how we impact the environment and what we can do to minimise negative impacts. This could be through reducing our need to travel to other offices by using well-established digital alternatives, fully utilising volunteering days available or simply turning off the light when we leave a room. We recognise that to minimise impact, we need to review and continually improve our communication channels to ensure that we are delivering the right message to our colleagues.

Improve environmental and social outputs

To improve our environmental and social outputs, we need to include these within a balanced approach to asset management decision-making.

Our relationship with the environmental and social landscape should be considered as two-way – our asset management activities both affect and will be affected by our social and environmental backdrop.

We have an eye on the future

We will continue to explore future scenarios relating to the environmental and social landscape in which we will be operating and develop plans to operate appropriately within these scenarios. It is also important for us to keep an eye on any political or regulatory challenges that we may face and proactively build plans to meet these challenges.

We believe that we have an environmental responsibility to start leading the industry towards decarbonisation of the gas we transport through our network. We will continue to do this by working closely with our experts in-house and our broader stakeholder base. We will carry out the necessary research to determine the most viable option that delivers security of supply and value to our customers in the long term.

1.3.5. We deliver excellent customer service

Our ability to deliver excellent customer service has always been a differentiating factor between us and other network operators.

Our approach to customer service will be delivered through the following themes that have been identified by our colleagues:

Work collaboratively with stakeholders to maximise value

We will ensure that our plans are both developed and executed in collaboration with key stakeholders to ensure an overall maximisation of value for all of those affected

We are proud of our embedded stakeholder strategy and engagement process (see Figure A9), which enables us to effectively gather feedback, thoughts and ideas, thereby streamlining their review and implementation. The effectiveness of this process underpins our ability to react to customer priorities and needs, industry regulation and guidance, and other stakeholder views and plans. There are a vast number of opportunities unlocked by effective engagement, ranging from localised collaborative planning to wholesale changes to industry-wide processes.

Balance performance and value

Balancing performance and value for our customers is paramount, and we delve into more detail on this in our Customer Strategy. This balance is achieved by continuously engaging with our stakeholders using our well-established process described in the previous section.

As we continue to push the boundaries of innovation and excellence in our customer service, it is imperative that we remain focused on our fiscal responsibility to our customers. We are committed to maintaining and enhancing customer scores without significant investment, aligning with stakeholder expectations and leveraging our current resources effectively. This will ensure that the service we deliver now and in the future is sustainable and reliable for our customers. For example, despite the trend towards modern communication channels such as live chat, we have chosen to focus on our established methods, such as phone, email and social media. Stakeholder feedback indicates that the investment for live chat isn't justified by its benefits. Instead, the focus on our current channel offering is inclusive, allowing customers to use the appropriate channel of their choice, while aiding any language or comprehension support needs.

Support vulnerable customers

While we aim to address the needs of all of our customers, we take additional steps to address the needs of those living in vulnerable situations. This includes those eligible for Priority Services Register (PSR) support but may extend further, particularly where financial hardship impacts customers' ability to stay warm and well. Our work in this space is supported by our Customers in Vulnerable Situations Strategy which details the specific initiatives that aim to alleviate the impact for those affected.

On average, our interaction with a customer occurs once every 42 years, meaning that the opportunity to reach those most in need of support is limited. At NGN, we foster a culture which supports a proactive response to addressing the needs of customers in vulnerable situations. We aim to 'make every contact count', by continuing to train our workforce to identify vulnerability and offer additional services where required.

We also work closely with a range of local and national community partners to enable us to reach underserved groups and communities. Using a three-tier model to categorise the depth of interventions offered, we can ensure that the support offered is appropriate for the needs of the customer. Targeting support using this model also enables us to ensure that we focus spend appropriately, forecasting a higher proportion towards more in-depth tier 1 and 2 interventions. We work in collaboration with other utilities to strengthen our community partnerships and particularly with distribution network operators (DNOs), to efficiently maximise use of our respective funding mechanisms.

Be accountable and transparent regarding our performance

Accountability and transparency are key in building relationships with our customers, which is why these terms feature prominently in our customer promises referenced in Section 1.1 of this document. To achieve this, we will continue our membership of the Institute of Customer Service, which adds a layer of assurance to our customers about the quality and reliability of our services.

Additionally, we will maintain our commitment to transparency by reporting on a wide range of metrics, including complaints and customer satisfaction, through our Open Data Portal. This includes incorporating new metrics to provide a more comprehensive overview of our performance. For instance, we will track complaints relative to the total number of impacted customers and monitor disconnection rates. These measures will not only allow us to gather valuable feedback but also help us understand both the motivation and socioeconomic factors influencing disconnections.

Figure A9: Stakeholder engagement process

