Atypical EJP

Modernisation of RRP (INV-23)

Contents

Summary Table

Title Section	AEJP 4 for Digitalisation Investment: Open Data Theme – Modernisation of RRP
Name of Scheme	Modernisation of Regulatory Reporting Process (RRP) (INV-23)
Investment Driver	Ofgem has expressed the intention to modernise the RRP process and ensure that RRP Data Assets are in system readable formats. The current RRP process, its assurance and governance are manual, and digitalisation of the regulatory process will require preparation of specific digital Data Assets, development of new digital processes and digital governance.
BPDT/Scheme Reference Number	M8.19
Outputs	• A suite of digital regulatory reports made available to Ofgem in system-readable formats. • A proposal for the assurance process and governance artefacts for selected digital reports. • A set of supporting documentation that would allow Ofgem to interpret the digital reports. • Proposal for Data Triage outcome for each of the regulatory reports.
Cost	[cost-sensitive data]
Delivery Year	FY26/27 – FY30/31
Applicable Reporting Tables	N/A
Historic Funding interactions	No historic funding
Interactive Projects	INV-37 Data Sharing Infrastructure, BPDT: Table M8.19

We expect the Spend apportionment table below to be merged with the summary table above but have included it separately for accessibility purposes.

Spend Apportionment (£m)	(£m – 2023/24 prices)
RIIO-2	[cost-sensitive data]
RIIO-3	[cost-sensitive data]
RIIO-4	[cost-sensitive data]

1. Introduction

In the July 2024 RIIO-GD3 Sector Specific Methodology Decision document, Ofgem confirmed the intention to modernise Regulatory Reporting by seeking to transition to Digital Assets, with external engagement to commence post-2025, following the submission of RIIO-3 Business Plans. Ofgem confirmed there will not be a re-opener mechanism to support the Modernisation of Regulatory Reporting ambition at a later date, therefore this investment describes the anticipated cost and effort to develop new digital RRPs and new Digital Assets with corresponding digital governance and assurance.

2. Background

The current RRP is highly manual, and the processes vary for each of the Cadent networks. This is due to:

- Data capture collection methods and whether the collection is performed by Cadent or delivery partners that use their own digital solutions for data capture.
- The fact that the assurance and governance processes are not the same for all Data Tables.
- The levels of current automation of the process.
- The fact that the current RRP data layout prescribed by Ofgem is an Excel form with tabs summarizing different business process's performance and cost, accompanied by a bespoke narrative.

Ofgem had signalled and invested in a digital platform to enable Ofgem to receive machine-readable network performance data.

There has not yet been a wider sector discussion about the scope of this modernisation project, but Ofgem so far has communicated that "*in addition to the wider system benefits, data sharing infrastructure will present opportunities to reduce the regulatory burden whilst accessing granular data, thus reducing the administration burden for information sharing between regulator and licensees*"[1] and "*Access to up-to-date existing information held by licensees on assets, asset health and asset interventions is key to enabling a more streamlined RIIO process(for example through enabling some more flexible mechanisms, and also by use of existing data more directly), as well as ensuring that Ofgem can be confident that it has the best data to act in consumers interests. We have identified providing an exchange mechanism between Ofgem and licensees for this data as a key use case for a minimum viable product (MVP) of a data sharing infrastructure. We will therefore seek to develop an MVP for this purpose as a priority, alongside wider considerations on governance and principles*" [2]

We recognise that the effort to establish new business processes with digital assurance and governance will require new skills and will create opportunities to mature our Digitalisation Culture in the reporting space.

Development of new digital assets for regulatory reporting will require large-scale design and development of new unified digital processes in the organisation, therefore an investment in an additional workforce with appropriate digital process experience will be required to help plan and transition to new ways of working and to design and build new digital data products.

The intent is to standardise data product development and automation processes through the reuse and expansion of core data platforms and technologies.

3. Optioneering

We have considered the following three options to meet the expectations from Ofgem on modernising our Regulatory Reporting process:

Option 1: Do Nothing.

This option is not feasible as it will not meet the regulatory expectations and compliance for regulatory reporting.

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[1] Future Systems and Network Regulation: Framework Decision Overview, 6.11
[2] Future Systems and Network Regulation: Framework Decision Overview, 6.12

Option 2: Approach the digitalisation of RRP as a business-as-usual (BAU) change.

While the current regulatory process already requires Subject Matter Experts to prepare prescribed regulatory data tables and corresponding narratives, our regulatory teams have limited exposure to digital processes and digital governance design to confidently design and operate new digital process and Data Assets. We also anticipate that while the current regulatory process will be in place, in parallel, through an iterative approach, new regulatory reporting will be defined, developed, and tested, which requires Cadent to increase its capacity and incorporate new capabilities in, so far, highly manual processes. Due to the above constraints, this option has not been deemed feasible, due to the lack of digital skills and capacity in the BAU Team.

Option 3: Preferred: Introduce an investment for the modernisation of RRP and prepare a dedicated team that will focus on the development of an innovative approach for RRP resolving capacity constraints and addressing the skills gap.

This is our preferred approach as it mitigates the main risks:

- It will allow us to increase the capacity to accommodate parallel approaches to RRP processes, ensuring that the current process operates effectively and investing time in the design of the innovative approach.
- Skills gap in digital process design will be addressed by ensuring that the additional team has the right knowledge and experience to address the areas of digital validation, assurance, and governance.
- It builds flexibility in the investment in terms of scope – currently it is not clear which of the RRP areas might be prioritised by Ofgem for modernisation, therefore there is a risk that relevant Subject Matter Experts do not capacity to respond as they are already allocated to other Business Plan commitments.

4. Cost

The cost of the investment is driven by:

- Gross Staff Cost to support the delivery of the investment.
- Resources to contribute to the collection of the requirements, integration, and testing; and
- Professional Services costs - suitable experts to develop appropriate digital processes, governance, and new Data Assets in line with technical standards in our organisation.

Cost driver	Cost (£m – 2023/24 prices)
Gross Staff Cost	[cost-sensitive data]
Contractor Cost	[cost-sensitive data]

Table 1: Initiative cost

The diagram below illustrates the conceptual design that has been used to derive the cost estimates for the investment.
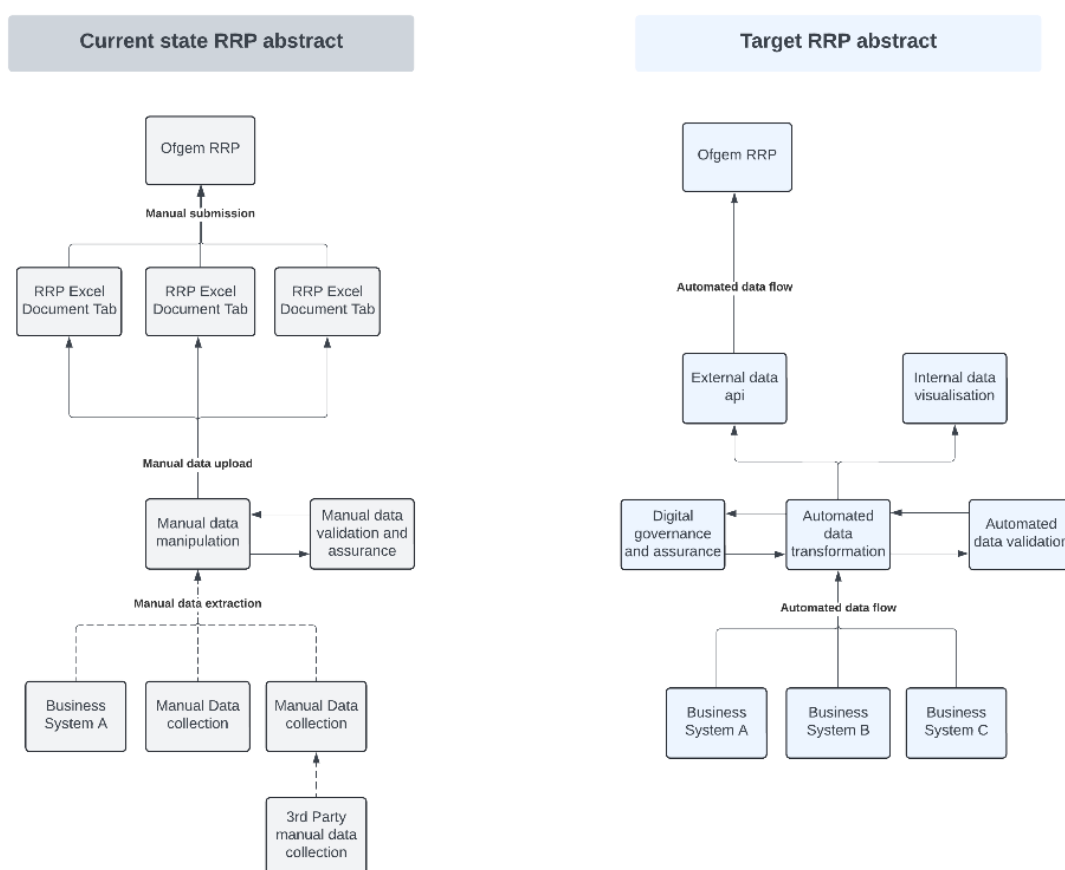
Figure 1: Conceptual design for cost assumptions

5. Scope Overview

While a detailed scope of the investment (i.e. definition of RRP Data Tables that require modernisation) is not yet agreed across Ofgem and networks, our proposed approach allows us to articulate the deliverables and outcomes from this investment, which are defined as:

- Design, develop, and implement Data Assets in the RRP that align with the definitions agreed upon by Ofgem and networks, including corresponding Application Programming Interface (APIs) to share these Digital Assets with Ofgem.
- Design digital business processes to be adopted by Cadent networks for automatically collecting underlying data and applying necessary transformations to derive the Data Assets, along with appropriate digital assurance processes to verify the correct definition of the Data Assets.
- Develop digital governance processes and related artefacts that demonstrate oversight and control in the construction, validation, and submission of RRP information to Ofgem.
- Develop a set of supporting documentation to enable Ofgem to interpret the digital reports.
- Propose Data Triage outcomes for each of the regulatory reports.

6. Deliverability

This investment is prepared considering the following assumptions:

- In 2025, Ofgem will progress the sector discussion about the modernisation of RRP and the prioritised list of Data Assets will be agreed to enable the delivery of the investment from the beginning of the RIIO-3 period.

- In line with previous communication, Ofgem will endorse an agile approach through MVP development and consecutive iterations of a digital RRP product.
- The method of making RRP Data Assets available to Ofgem will be enabled through APIs, and with the use of the evolving Data Sharing Infrastructure (DSI), therefore no additional spend will be required in the data sharing mechanism, and Cadent will be able to reuse the patterns and standards delivered through investment INV-37 DSI.

The current set of RRP Data tables summarizes our network's performance and it is expected that there will be no need to provide new types of data to the regulator, therefore – if there is a substantial change in the definition of certain KPIs or new data elements are required this will be agreed and communicated as part of the discussions in 2025, allowing sufficient time to construct high-level requirements transparently for the investment delivery.

It is recognized that in some of the areas where current processes are manual, there will be a significant effort for Cadent to modify and adopt new ways of working. The effort related to the preparation of appropriate knowledge transfer material will be the responsibility of the project team and roll out of the new process across Cadent will be supported by Cadent's business change function and will be treated as a business-as-usual effort.

Due to the complexity and size of the investment scope, this investment will be run iteratively over all 5 years of RIIO-3 period.

Digitalisation RIIO-3 Roadmap	FY26/27	FY27/28	FY28/29	FY29/30	FY30/31
Modernisation of RRP (INV-23) in £m	[cost-sensitive data]	[cost-sensitive data]	[cost-sensitive data]	[cost-sensitive data]	[cost-sensitive data]

Table 2: Initiative timeline

The illustration below indicates how this investment contributes to the RIIO-3 Target Data Architecture landscape at Cadent.
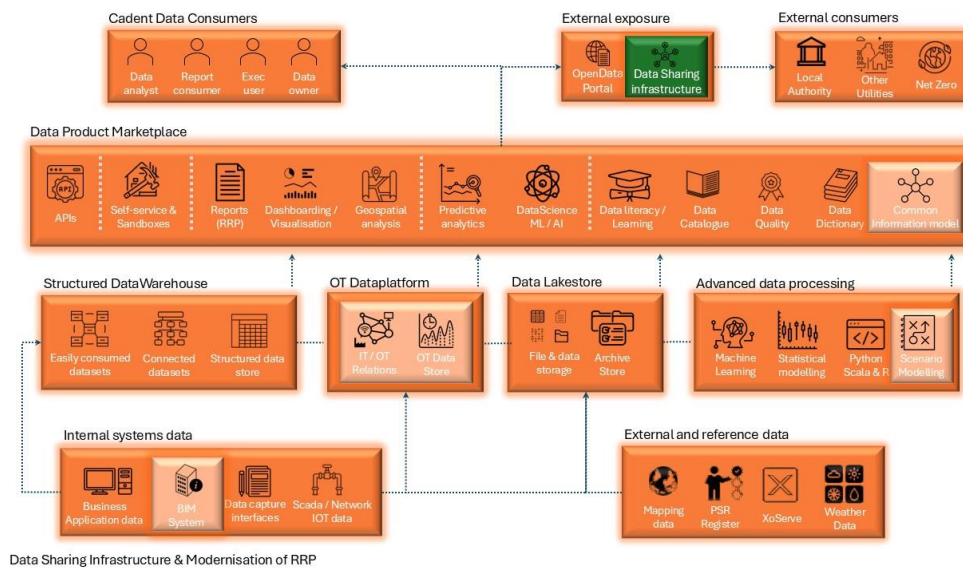

Figure 2: Cadent's Target Data Architecture

7. Conclusion

This investment is a direct response to Ofgem's priority of simplifying and decreasing the regulatory burden on networks and it is treated as the opportunity to mature our compliance with Data Best Practice guidance Principes 4, Principes 5 and Principes 6.

The investment will also contribute to the growth of Data and Digital Literacy within the organisation as it will introduce digital processes to the area of regulation.

It will speed up the delivery of regulatory information to Ofgem and offer opportunities to open up different price mechanisms in the future.

8. Glossary

Acronym	Definition
API	Application programming interface
BAU	Business as usual
DSI	Data sharing infrastructure
MVP	Minimum viable product
RRP	Regulatory reporting process