national gas transmission

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2026 – 2031
RIIO-GT3

**Business Plan**


# Workforce and Supply Chain
## Resilience Strategy

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# Contents

national gas transmission

## Securing Britain's Energy, unlocking a net zero future

**Workforce and Supply Chain**
Resilience Strategy

## Contents



# 1. Executive Summary

1. The purpose of this document is to outline our workforce and supply chain resilience strategy for RIIO-GT3, detailing the approach we will take to ensure that we have the people and the supply chain capacity to deliver our ambitious RIIO-GT3 business plan, as well as ensuring continued long term delivery. National Gas Transmission's (NGT) success depends on recruiting, developing and engaging a skilled, diverse, safe and healthy workforce. Equally important is effective supply chain management and procurement, which is essential for delivering high quality and efficient services to our consumers and stakeholders, as well as maintaining secure and resilient supplies. A well-managed supply chain can achieve these objectives while delivering value for money to consumers and supporting choices that enable a transition to net zero.

2. Our workforce and supply chain strategies need to address a number of challenges for RIIO-GT3. The most important of these is the significant increase in work volumes in our plan relative to RIIO-T2. To deliver these volumes we need more people and resources. But we are working in a highly competitive labour market serving the infrastructure sector, that makes it challenging to source and recruit scarce talent, particularly talent with STEM qualifications and relevant experience. In addition, we have experienced significant supply chain disruption over recent years driven by global events. This document explains how we will address these challenges to deliver value while ensuring efficient and timely delivery for our customers and stakeholders.

3. This document is split into two main sections: our plan for workforce resilience and our plan for supply chain resilience. Below we provide a brief overview of each.

### Our workforce plan and resilience strategy

4. The deliverability of our ambitious plan depends on our ability to attract, recruit, develop and engage an agile, resilient, capable, diverse, safe and healthy workforce who will maximise the opportunities during RIIO-GT3. We undertook a comprehensive review of our people strategy to ensure it is fit for purpose.

5. Our Strategic Workforce Planning (SWP) process confirmed the scale of the challenge is significant: to enable us to close out strongly RIIO-T2 and hit the ground running in RIIO-GT3, we are forecasting organisational growth from a baseline of 2,008 employees at the end of FY24 to 3,060 by the end of the RIIO-GT3 period. This includes large increases in business areas required to deliver increased workloads or increased compliance requirements such as asset management, construction, cyber security and IT. The largest increase is required in operations, where headcount growth comes from supporting the significant planned increase in capital projects proposed for Asset Health Investments. It isn't intended that all of this resource is directly employed by NGT, we operate with c. 20 percent contingent labour to manage fluctuations in workload and enable us to access scarce talent at short notice.

6. Our people strategy is designed to address the scale of this challenge. It sets out significant changes in technology and systems, such as the core HR processes adopted from National Grid. While we are adapting the HR systems currently in place, over the long-term there are substantial changes required to make this fit for purpose. It also requires changes to our culture and creation of a clear, meaningful employee value proposition (EVP) which we will track through ongoing employee engagement. These changes will enable a workforce fit for the future and allow us to effectively and efficiently deliver our business plan.

7. Furthermore, many of the processes, policies and structures we inherited from National Grid were built for a much larger organisation and are not fit for the long-term future of NGT. As a business that has the opportunity to be much more agile, flexible and simple in its approach to delivery, we are looking to make a shift away from the cultural attributes that have characterised the business of the past. For example, while increasing the focus on employee performance and outputs, we have simplified and streamlined the underpinning processes to manage performance.

8. To deliver on our ambitions, we expect additional investment of £0.8m in our workforce over the course of RIIO-GT3. This increased spend is made up of £0.55m to deliver current activities for the increased employee headcount and £0.25m for additional activity to inspire and engage future generations around STEM and the energy sector.

### Our supply chain and procurement strategy

9. Our supply chain and procurement strategy faces similar challenges associated with the increased size of the RIIO-GT3 business plan and challenges in the wider sector. We need to ensure long-term capacity in the supply chain to mitigate supply chain pressures and ensure deliverability, while maintaining competitive tension to maximise customer value.

10. To secure our ability to deliver RIIO-GT3, we have taken preparatory steps to ensure that we are on the front foot before the start of the price control. These steps include engagement with our supply chain and a review of expected RIIO-GT3 capacity. We have held senior meetings with our supply chain partners and sought written evidence of their buy-in to ensure capacity is in place for RIIO-GT3. These commitments will be signed up to in a letter presented to OFGEM to evidence that NGT, and our supply chain partners, are ready to take on the challenge together.

11. Where we have identified gaps in capacity, we have plans to engage additional suppliers or develop capabilities in-house. We have already committed to or have agreements in place for c. 60 percent of works and, with board approval, began investment to procure and secure materials/services needed for RIIO-GT3. This is a step-change from RIIO-T2 where investment began following plan approval. We have also done a lot of work to diversify our supply chain, improving resilience.

12. Looking forward, we have strategies for securing the necessary capacity from (a) engineering design providers, (b) material providers, and (c) main works contractors. These strategies set out initiatives such as development of in-house capabilities, better use of stocking, using multi-stage contracting, improving our product specifications to avoid supply constraints for specific products, and improved collaboration with our suppliers to become a 'customer of choice'.

13. We also set out our strategy for continuing to drive value through competition at RIIO-GT3. We use a strategic approach to procurement called Category Management, which helps us identify the best approach to delivering value in specific product and service categories. We also set out our approach to designing tenders, improve transparency and, as a result, tender outcomes. We are also planning increased use of Early Market Engagement or Pre-Market Engagement to achieve the best outcomes and value for consumers.

# 1. Executive Summary

14. Finally, while competition is a powerful tool in revealing the most advantageous solutions and driving value for customers through efficient costs, we are also planning to improve procurement outcomes at RIIO-GT3 through developing the relationships we have with critical suppliers. Ultimately, we will be looking to balance the benefits associated with competitive tension in our procurement with long-term strategic relationship management which creates a collaborative and sustainable environment. We will maintain competition in direct award procurements, through use of Price Benchmarking, Incentives, continuous market engagement, as well as Group Dialogue and performance-based Contracting.

### Delivering long-term value to consumers and stakeholders

15. Our workforce and supply chain resilience plan will focus on delivering long-term value to customers and stakeholders by enabling NGT to deliver its ambitious business plan. To do this we will need to evolve our approach to workforce and supply chain to reflect the challenges we expect to face during RIIO-GT3.

### Work Force Resilience Strategy

16. At NGT, our people are critical to delivering on our obligations and ensuring the security of our future energy supply, both for this country and more broadly across Europe, and in leading this country to net zero and a cleaner energy future.

17. The success of NGT will therefore rely on our ability to attract, recruit, develop and engage a capable, diverse, safe and healthy workforce. In an increasingly competitive job market, we need to genuinely differentiate ourselves to attract the best people to the organisation to deliver our business commitments.

18. Our ambitions for our people have never been more important and our people strategy will underpin the effective delivery of our business plan in the years ahead. The finalisation of the sale of NGT by National Grid in 2023 brought the opportunity for us to start to define our own Gas Transmission people strategy. RIIO-GT3 brings opportunities to build on the solid foundations we have started to lay in RIIO-T2 since separation, but to also be more ambitious in our approach to finding and retaining the best people – establishing ourselves as an employer of choice in the energy sector.

19. This section covers the following topics:
    - Context and track record: first, we summarise the context in which we consider our workforce planning and people strategy. This includes our purpose and values, our performance in RIIO-T2, reflecting on what we achieved, as well as the key issues we faced. Finally, we consider the key challenges for RIIO-GT3 and the workforce growth required to meet our ambitious business plan.
    - Workforce resilience strategy for RIIO-GT3: next we detail our strategy to deliver workforce resilience for RIIO-GT3. This sets out how we will recruit and train the right people with the right skills, as well as retaining and developing our existing workforce.
    - Workforce plans by business area for RIIO-GT3: Finally, we set out in detail our workforce plans for RIIO-GT3 by business area, explaining gaps and recruitment needs to deliver our business plan, and proposed mitigations to specific challenges faced by different business areas.

# 2. Workforce Resilience

## 2.1 Context and track record

### 2.1.1 Our purpose, priorities and values

20. In the early stages of NGT being separated from National Grid, it was clear that we needed to establish a clear sense of purpose around which our people could focus their efforts and work towards a common goal.

21. 'Leading a clean energy future for everyone' is our purpose and it epitomises the inclusive nature of the work we do and our desire not to leave anyone behind in the transition to net zero. In our recent engagement with both prospective and existing employees, as part of the work we have been doing to build our new Employee Value Proposition (EVP), this sense of purpose has emerged time and again as an essential element to employee attraction and retention.

22. We have also defined five priorities which have endured through most of RIIO-T2 and will see us well into RIIO-GT3, providing a strategic anchor for employees and line of sight to their own activities.

Figure 1: **NGT'S Five Key Priorities**

**Operate safely, reliably and flexibly**
Doing the job we're here to do, running our network and metering to the highest standards, never compromising on our people's or customers' safety.

**Deliver sustainable value for customers and stakeholders**
We'll listen and respond to customers, to make sure we deliver what they need. And we will do that with commerciality in mind.

**Invest in our people, grow our capability and value everyone's contribution**
We're nowhere without our teams, and our business is only as good as its people.

**Drive positive environmental and community impact**
We need to think green when maintaining, improving, decommissioning or buying in assets.

**Shape the gas market of the future**
We're at the centre of the gas market of the future, working to decarbonise and secure energy supply and leading the hydrogen transition for gas networks.

23. As important as what we do as a business, is how we do it, and our three values guide and steer how we expect our people to operate in the best interests of our business, our customers and stakeholders.
    - Simplicity is about reducing complexity and duplication, enabling more efficient and effective ways of working across the organisation;
    - We encourage our people to take Ownership for challenges and for the collective success of the business to drive higher quality outcomes; and
    - We want to operate in a more agile and pacy way to create Progress over perfection in a more cost-effective manner.

### 2.1.2 Our people

24. As at FY 2024, we employ c. 2,000 people including those on a contingent basis and those supporting the smooth exit from our Transition Services Agreement (TSA) from National Grid where services and activities are provided for a fixed period while we separate our systems and processes. Maintaining a mix of direct and contingent labour gives us the flexibility to manage peaks and troughs in workload, mitigating the risk of severance for employees.

25. Our latest data in October 2024 shows that the average age of our employees is 39 with an average tenure of seven years and 49 percent of our employees are new recruits to the organisation since sale. We anticipate reaching c. 2,600 employees during RIIO-T2.

# 2. Workforce Resilience

### Measures of success during RIIO-T2

26. Since separation started, we have worked hard to review what is right for us as a smaller, leaner organisation, for example de-layering structures and creating interesting and varied roles with clear accountabilities and transparent success metrics.

27. On separation, we transferred 1,326 people, whose roles were already largely dedicated to Gas, including functional colleagues, into our core Gas Transmission business. A further 324 were recruited externally as part of setting up the organisation to operate standalone. These, plus an additional ~420 external recruits to replace leavers and to deliver our RIIO-T2 operational commitments have given us an opportunity to increase the diversity of our workforce in all aspects. We see diversity both visibly, in terms of gender and ethnicity as examples, but also less obviously in terms of age, experience, neurodiversity and social background. During FY23 and FY24 alone, more than 50 percent of the people recruited declared some kind of legally recognised diverse characteristic (e.g. ethnicity, gender, disability, sexual orientation etc.)

28. We published our first gender pay gap report in March 2024. It included actions being taken to improve gender diversity and to address the gender pay gap, alongside the data. Our actions taken include the creation of a senior female talent sponsorship programme, with sponsorship from Exec members and the introduction of a Women's Development Programme. We have also held networking events, menopause awareness webinars and are partnering with Women's Utilities Network to provide further networking and coaching opportunities. These actions, along with increased diverse recruitment, have seen a decrease in the difference between men and women's pay and an increase in females in the upper quartile. Whilst legally there is only a requirement to report the gender pay gap of National Gas Transmission, as part of our commitment to fair and transparent pay, internally we also shared details on our ethnicity pay gap. This data, alongside other diversity metrics enable a focused approach to Diversity, Equity and Inclusion (DEI) at NGT.

29. We've made great strides to the end of FY24, particularly with ethnic diversity and have now passed the UK ethnic diversity benchmark (18 percent) and sector benchmark (11 percent) with 18.6 percent of our workforce declaring ethnic diversity. From a gender perspective, we are just below the sector benchmark (29 percent) with 27.3 percent of our total workforce being female.

### Success as a result of ongoing employee engagement

30. While we have made good progress since separation, we understand that we can't rest in creating an inclusive environment which enables our employees to thrive and for the Company to retain our talent. We therefore developed our Belonging Strategy (see 2.2.7) which is our long-term plan to improve DEI in our organisation. We have been putting other support foundations in place such as the creation of the Belonging Forum, a group of DEI champions, and introduced a Belonging Knowledge Hub providing DEI resources to our managers and employees. We have measured our employees' views of working in NGT through our Culture and Engagement survey and results from diverse segments of our employees give us confidence that our actions are having impact, with results being more favourable when compared to the overall population.

31. Given the unionised nature of our staff population, we have worked to create positive relationships with our employees and their Trade Union (TU) representatives. We have rationalised and simplified the formal structures around our TU interactions with fewer Forums and closer relationships which improve the speed at which we can affect change. This has led us to successful pay negotiations, implemented on time with no industrial unrest.

32. A key part of creating our own identity and building our employer brand has been the work to define our EVP where our current and potential employees in focus groups and through surveys told us what is important to them, and we have begun to activate the plan to support and embed the EVP across the employee lifecycle (see 2.2.2).

### 2.1.3 Challenges for RIIO-GT3 and beyond

33. In order to deliver our business plan and achieve our strategic objectives, NGT needs a flexible and resilient workforce that can respond effectively to, and shape our part of, the transformation of the energy industry.

34. Undertaking a robust Strategic Workforce Planning (SWP) process for RIIO-GT3 is essential to enable us to forecast and quantify the people and capability requirements of future business scenarios, as well as to prioritise the actions required to overcome any challenges identified and to mitigate any potential risks. Many of these challenges may already be known to us in general terms, but SWP provides a more rigorous, consistent, and iterative approach for identifying and quantifying these.

35. Having undertaken our first organisation-wide review of resource requirements for RIIO-GT3 in recent months, we now have a much more granular insight into the scale of the challenge ahead. To enable us to strongly close out RIIO-T2 and hit the ground running in RIIO-GT3, to deliver the increased capital delivery work, we are forecasting that we will need to grow the organisation from a baseline of 2008 employees (including contingent labour) at the end of FY24 to a population of 3,061 by the end of the RIIO-GT3 period. If we then overlay forecasts for both retirements (~0.8 percent) and voluntary attrition (~9.2 percent) and the impact of consequential vacancies from internal appointments (~1.5 per appointment), this results in a vacancy total of approximately 3,600 over the same period.

36. While on the one hand we need to grow our workforce significantly, sourcing and recruiting talent remains a key challenge, given the highly competitive landscape. High profile and high paying major infrastructure projects continue to compete for the same construction-related talent with another 30 £1bn+ projects due to come online in the UK in 2024[1]. Competition for talent is clear from electricity transmission and from the system operator, with National Grid seeking similar capabilities to us in order to deliver their £60bn forecast investment over the next five years, and NESO actively recruiting for the setup of their own organisation. Across the energy and utilities sector there are an anticipated 567,000 vacancies over the next seven years including c. 70,000 in science, research, engineering and technology, 60,000 anticipated for CCUS and a further 56,000 expected in skilled construction[2].

37. Attracting and retaining young people with STEM qualifications also continues to be a challenge. STEM roles account for 18 percent of the UK's total workforce and it is estimated that the UK economy suffers a loss of £1.5bn per year due to STEM skills deficits. With 20 percent of the UK's engineering workforce due to retire by 2026, a major factor driving shortages is an ageing population, coupled with a lack of STEM-skilled students moving into correlating disciplines post-education[3]. Specific skills shortages highly relevant to NGT, such as Project and Cyber Engineers and Electrical & Instrumentation Technicians, are mirrored across the industry, as well as cross sector disciplines such as quantity surveyors, data scientists, cyber security experts, and project managers. We therefore need to ensure we are building the pipeline of future talent as well as competing for existing talent.

## 2.2 Workforce resilience strategy for RIIO-GT3 and beyond

38. Our initial approach to workforce strategy was based on the approach used at National Grid, given NGT took with it many of the structures, processes and procedures that already existed at National Grid when it started to separate in March 2021. This 'lift-and-shift with replication' approach was expedient in nature, given the ongoing provision of back-office support from National Grid's People Services and the continued reliance on existing systems, both of which are facilitated by ongoing TSAs in place until January 2025. While this approach has had some drawbacks, such as not being able to accelerate improvements in areas such as on-boarding, it has enabled NGT to operate successfully as an independent business since separation.

39. However, given the people challenges many businesses are facing today and into the RIIO-GT3 period, and to ensure the success of our capital growth ambitions, we recognise that many of the current processes, policies and structures are not fit for the long-term future of NGT. We now have an opportunity to be much more agile, flexible and simple in our approach to delivering more effectively for our customers, and to define our own culture.

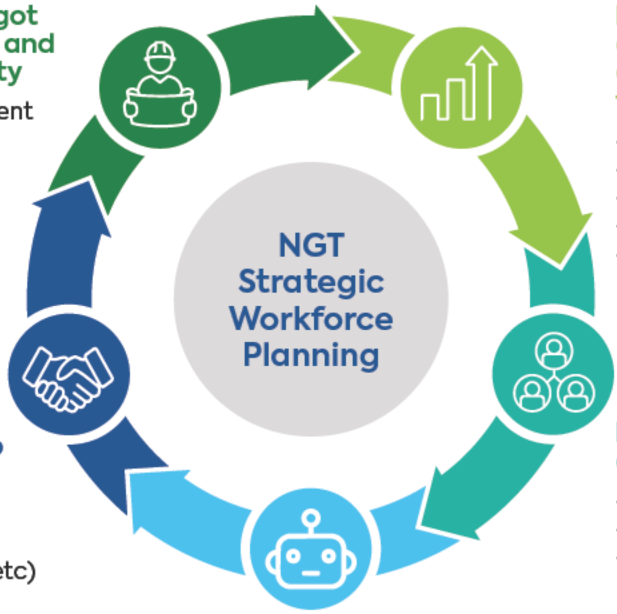
40. With just under two years to go in RIIO-T2 , we have recently undertaken a comprehensive review of our people strategy, as our future success is predicated on our ability to attract, recruit, develop and engage an agile, resilient, capable, diverse, safe and healthy workforce who will maximise the opportunities this next period will hopefully afford us.

[1] Barbour ABI.
[2] EUS Skills Estimates of vacancy creation in the energy and utilities sector – 2024 to 2030.
[3] ECITB 2022.

# 2. Workforce Resilience

41. Based on the challenges identified in the previous section, this section highlights how our people strategy will mitigate risks around workforce resilience, ensuring we are able to recruit the right people, train them effectively and keep them at NGT. We have considered how we can best ensure the resilience of our workforce and ensure we have the capability needed at the right times to deliver on our business plan commitments. Now that we have identified the needs for RIIO-GT3, we are using a holistic strategic workforce planning framework to plan how we best deliver those requirements.

Figure 2: **NGT Strategic Workforce Planning**




42. The success of our strategy is reliant on our ability to excel at what we already do today. In addition to certain key skills, such as engineering, cyber, hydrogen and data and analytics, this also means we need people who are skilled at engaging and influencing a wide array of stakeholders; who are effective at delivering outcomes for both our customers and regulators; who demonstrate operational excellence through efficient and cost effective delivery and, most importantly, who are adaptable and agile, with an ability to pivot quickly to leverage the opportunities that lie ahead of us.

### 2.2.1 A step change in our culture

43. Our business value proposition is based on mobilising the gas ecosystem to reflect our three-molecule strategy to transition from methane to hydrogen as well as the implementation of carbon capture and storage to deliver value for our customers, investors and regulators. This is a significant shift away from our focus in the past purely as an asset operator. This more whole-system, dynamic and customer-driven approach requires a cultural shift across the organisation.

44. In March 2022, we carried out an initial cultural baseline assessment, with the support of [redacted], a leadership consulting firm, which identified an existing culture characterised by caution, order and caring. Our early stated ambition for our long-term commercial success, however, was to create a culture which was more purpose driven and results focused, whilst retaining the caring approach we are known for. Work has therefore been ongoing to reframe our cultural ambitions with some symbolic initiatives. These include implementing scorecards for business units and sharing progress against business objectives with the wider organisation at town halls in order to signal our desired shift towards results. We have also redefined caring to talk about caring enough to give honest feedback, moving away from not wanting to give feedback in case of offence.

45. In June 2023, we repeated the assessment and have already seen a significant shift in the focus on results with this now ranked as the number one attribute for NGT and number two for National Gas Metering (previously positioned fourth in the March 2022 diagnostic). This demonstrates a greater focus on achievement and outcomes than we have seen previously, whilst still maintaining caring in the top three results. Recent results also suggest, however, that there is still work to do to elevate our purpose.

46. We are now deliberately moving cultural shift activity to a local level with entity and functional specific plans. These are personally sponsored by each Director as part of their RemCo objectives to create greater senior leader accountability across the organisation. Within the framework of a caring, purpose led, and results orientated organisation, each Director is empowered to bring the culture to life in a way that works best for their part of the business, whether in the field, the control room or the office.

47. Our culture and engagement survey, initiated in February 2024, and set to run annually, will allow us to track our progress against our cultural indices and ensure that we continue to shift the culture in line with our aspiration. During RIIO-GT3 and beyond, our caring, purpose led culture will help the business lead a clean energy future for everyone with our inclusive culture felt and experienced by all employees.

### 2.2.2 Our Employee Value Proposition

48. If the right culture forms the firm foundations of our people strategy, then at the heart of the organisation should sit its EVP (Employee Value Proposition) – a clear and honest statement of what employees should expect from NGT in exchange for their effort and loyalty. We have undertaken a fundamental review of our own EVP in recent months, both to attract new, and to retain existing, talent to make NGT an employer of choice in this competitive employment landscape.

49. Using existing data sources and having engaged directly with a cross section of employees across the organisation, five clear pillars have emerged which our existing employees have told us make NGT a good place to work today and, with more focus, could make us an employer of choice into the future.

50. Our pivotal role in GB's energy system makes us unique in terms of our Purpose and employees, particularly those entering the workforce for the first time, tell us that the opportunity to have a broader impact is a key consideration when selecting an employer.

51. Existing employees told us that Growth and a sense of Care from the organisation are also key reinforcers of our value proposition and our Learning and Development and Benefits packages are seen to be competitive. We continue to build on these and to support personal effectiveness, technical and leadership capability. Employees also told us that having Flexibility and feeling Included are essential elements for employees who are keen to work in an environment that facilitates collaboration and belonging.

52. In addition, the opportunity to work flexibly to maintain a better work life balance and sense of wellbeing also play into our need to tailor our EVP. It is essential that we find the optimum balance of what employees want, and what an organisation such as NGT needs, to deliver for its customers and key stakeholders.

53. Activating our EVP across every point of the employee experience within NGT is a key focus of our people strategy into RIIO-GT3, to demonstrate that reality actually reflects aspiration. We will also closely measure its impact on associated people metrics to ensure we sustain progress in this arena.

54. During the RIIO-T2 period we are refreshing policies, programmes and initiatives in line with our EVP as we seek to build out our promise to employees and demonstrate what is on offer. In RIIO-GT3, with our EVP in place, we will be designing end to end employee journeys that bring our EVP to life, making us an employer of choice with a name and reputation for growing and developing our employees.

### 2.2.3 STEM and Recruitment

55. Ensuring we have the right capability and capacity in the organisation to deliver on our commitments is critical, and competition for the skill sets vital for our success is fierce.

56. With a significant increase in the amount of capital delivery work we need to deliver towards the end of RIIO-T2 and across RIIO-GT3, we are forecasting to need around an extra 1,050 heads over the next seven years to be able to deliver against our commitments, as well as thinking about how we deliver the work more effectively. However, the growth in heads doesn't demonstrate the full recruitment picture. In addition, we need to overlay voluntary attrition and retirements, currently running at a combined rate of c. 10 percent, as well as the consequential vacancies when appointing internal candidates. Each internally filled role creates, on average, a chain of a further 1.5 vacancies to manage for backfill. When we factor these numbers in, the recruitment team will be managing somewhere in the region of 3,600 vacancies over the period.

# 2. Workforce Resilience

57. Taking into account the supply challenges and the scale of growth to meet our delivery needs, we have reviewed roles in our recruitment team to focus on partnering the organisation to understand their needs. We have also been building our own in-house sourcing capability to be able to search for suitable candidates, including passive candidates, to minimise agency usage and cost. The team is built with a combination of permanent and temporary members to be able to manage peaks and troughs in workload. To source experienced hire candidates in the most efficient manner, we use three primary routes:
    - posting roles on industry recognised job boards, LinkedIn and our website;
    - sourcing candidates ourselves via LinkedIn; and
    - utilising specialist agencies for niche or hard to fill roles where required.

58. Our EVP work is critical to presenting our proposition to prospective employees and differentiating ourselves in a crowded, competitive market. Therefore, weaving the messages into our attraction, specifically around our purpose and employee offerings, is a priority.

59. It is critical that we focus activity not only on building a pipeline of capability in NGT, but also across the sector more widely. We have grown our early talent intake of apprentices and graduates over the years since separation, increasing almost threefold over the past year. We work closely with the business to ensure robust support is in place and have implemented a personal development programme to build the skills and capabilities of our future talent. We also work with our sector colleagues with Energy & Utility Skills (EUS) as our industry body, as members of their strategy and working groups to consider and support our sector attraction activity and ensure that our apprenticeship skills and training is robust and remains relevant. We are also participating in the development of workforce resilience metrics with EUS to benchmark ourselves in sector.

60. As at September 2024, we have 120 graduates and apprentices (6 percent) in the organisation participating in our entry level talent programmes against a sector average of 4.4 percent (EUS). We recognise that some of the skills that we need can be quite specialist, given the nature of the business we operate (managing critical national infrastructure and being responsible for transporting high pressured gas through our network). Therefore, we often bring people into the organisation through our trainee programmes, both apprentices at various levels and graduates. Our intake during separation from National Grid was smaller at around 30 people per year while we built our business, brand and offering. While we maintained the operational apprenticeship route throughout, we have since introduced apprenticeships across the wider organisation, for example in finance, construction and the people teams.

61. With a more established organisation and insight into our longer-term needs, we have increased our early talent intake number to over 80 for our September 2024 cohort and are predicted to recruit 91 for 2025, with the intent to maintain recruitment and investment in trainees for the foreseeable future. In addition, we are introducing a student programme to provide experience to, and build relationships with, undergraduates in disciplines relevant to our needs with a view to offering positions on our graduate programme to those successfully completing a placement and meeting the required benchmark.

62. We recognise the external challenges outlined in 2.1.4 in continuing to attract and source STEM talent for our programmes, and so in RIIO-GT3 we need to reach further back into the education system to inspire and influence students to both engage with STEM subjects and see the potential in a career in our industry. We will invest in engaging with experts in this field to support our in-house efforts through our existing employees to provide work experience opportunities and engagement directly with schools to both inspire and build brand awareness.

### 2.2.4 People Systems

63. The effective functioning of our people systems is a critical part of our people strategy in meeting employees' expectations of HR service delivery. The new standard is consumer-grade technology and service akin to the likes of Amazon and we aspire to deliver against that benchmark. Our approach to achieving this is in two parts – separating the current system and making incremental improvements to enable swift separation from National Grid and exit from the TSA, prior to a more fundamental transformation to a people system fit for longer-term purpose.

64. The complete separation of our people systems and services from National Grid took place in July 2024, with the transitional services agreement for both our technology platforms and transactional HR services coming to an end before January 2025. As mentioned at the beginning of section 2.2, this separation has primarily been a 'lift-and-shift' approach in line with the technology strategy to separate before transforming. This means we have preserved our core HR processes by using the same application, SuccessFactors, in a new instance for NGT, and have migrated our data and configurations directly from National Grid. However, we have made key changes in three areas.
    - First, it was decided to transfer the absence recording functionality to the standard Time Off module of SuccessFactors. This is due to the forthcoming deprecation of the SAP HCM platform in use within National Grid.
    - Second, we moved the Payroll application to ADP's GlobalView platform with a managed payroll service (whilst retaining aspects of the Payroll service in-house, such as employee payslip enquiries). This is also due to the forthcoming deprecation of the SAP HCM platform in use within National Grid.
    - The final key change was the implementation of an integrated service management solution, using ServiceNow for People and Payroll queries as well as IT, Finance and Procurement enquiries, creating a single point of contact for employees in July 2024.
65. Investment in our People systems is required to avoid retaining legacy systems which are not fit for purpose and out of support with the vendor, posing a risk of failure and non-compliance for our HR processes.
66. By transforming our People technology, we will move away from a transactional BAU activity model into a collaborative experience. The goal is to have a unified technology model enabling colleagues to access all their HR related activities in one place.
67. This will enable us to drive our costs down, reduce risks associated with multiple platforms and manual work, thereby improving the employee experience, and providing better support to our management in their decision-making processes.
68. In RIIO-GT3, we will invest in:
    - Transforming our People Systems into a robust self-service and cloud-based platform, enabling colleagues to have an all-in-one platform for any HR related activities, giving an enhanced user experience.
    - Integrate the latest technology around AI/Automation native to the offering, to simplify current processes which, in turn, will decrease time and effort for both colleagues and management to deliver results.
    - Providing employees with a suitable Digital Learning Platform to support their learning and development.
    - Supporting HR Strategy, including Policy & Compliance, for future capabilities and ensure we are up to date with the UK's latest regulations.

### 2.2.5 Employee Relations

69. To foster positive Employee Relations, we will continue to work together with our four recognised Trade Unions as partners on areas such as skills development and stable employment. Where possible, we will focus on in-sourced resources to aid continuity, provide certainty for employees and control costs for NGT. Having built positive relationships, in RIIO-GT3 we will continue to foster these relationships with no fundamental shift in approach planned.
70. A focus on personal relationships with external TU officials and internal TU Representatives is allowing us to build positive connections at all levels. This groundwork creates a constructive working atmosphere which we will build on in RIIO-GT3. We have already spent time creating connections with the broader TU community (for instance by attending TU internal Annual Conferences) beyond the immediate individuals with whom we normally interact. We have forged links with the future skills teams in Unison and GMB, as we and the TUs realise that, in working together as a united front, we provide a much stronger voice with greater influence over political decision makers. This united front will be invaluable in creating the required conditions for investment in skills in Hydrogen, CCUS and general engineering.
71. We have created our own bargaining mechanisms, replicating some of those that existed within National Grid, whilst leveraging the opportunity to adopt practices more fitting of a more agile organisation, as well as not replicating anything that we felt was more burden than value. For example, the Policy and Procedure Review Group has not been replicated and we instead operate with a group of just three TU Representatives who work with us to update policies, as required.
72. As well as TU engagement, we will continue to build leadership capability in the organisation through RIIO-GT3 to enable more effective engagement directly with our employees.

# 2. Workforce Resilience

### 2.2.6 Diversity, Equity and Inclusion (DEI)

73. We recognise that a great place to work means actively promoting diversity, equity and inclusion (DEI) across the business, ensuring that we have an inclusive culture where our employees can thrive and that we can continue to attract and retain talent from across a diverse spectrum of backgrounds. Our DEI strategy in NGT focuses around five pillars: Diversity & Inclusion, Ownership, Governance, Learning and Community. While we have made positive strides, since becoming a standalone business, we recognise that we have been laying the foundations and there is much more to do in RIIO-GT3 to both embed what we have already achieved and continue to move forward.

74. We are committed to being guided in our priority action areas by data and while our overall diversity as at end FY24 is strong with 27.3 percent female and 18.6 percent ethnic diversity, we also know that there is more to do. Our data tells us that we have fewer ethnically diverse colleagues in more senior roles and there is a barrier (perceived or otherwise) in making the jump from staff to managerial grades for both. We have therefore launched a new leadership development programme for our talented ethnically diverse colleagues looking to move into more senior leadership positions, and our Women's Development Programme, to support women into leadership roles, as well as executive sponsorship of more senior female talent. Whilst we are getting positive response from the initial pilot of both programmes and are starting to see progression for those who have participated, we need to continue with these programmes to make further impact during RIIO-GT3. We are starting from a positive standpoint with results from our culture and engagement survey telling us that, if anything, our female and ethnically diverse colleagues who completed the survey view our culture and support more favourably than our overall population. Therefore, maintaining this positive perception is key to retaining talent.

Figure 3: **NGT DEI Strategy**

## Leading a Clean Energy Future for Everyone

| | | | | |
|---|---|---|---|---|
| **Operate** safely, reliably and flexibly | **Deliver** sustainable value for customers and stakeholders | **Drive** positive environmental and community impact | **Invest** in our people, grow our capability and value everyone's | **Shape** the gas market of the future |

**We champion belonging by fostering diversity, equity and inclusion.**

| Diversity and Inclusion | Ownership | Governance | Learning | Community |
|---|---|---|---|---|
| We champion **diversity and inclusivity** so that everyone **feels valued and appreciated.** | Everyone knows **their role and responsibility** in creating an **inclusive culture.** | We continue **to improve and measure** our progress. | We **raise our awareness** through education and learning. | We **connect with** our customers and communities. |
| **We will**<br>Continue investing in diverse leadership<br><br>Continue our work in recruiting and retaining diverse talent<br><br>Continue to prioritise initiatives that help embed inclusive behaviours | **We will**<br>Enable Exec's understanding and confidence of DEI<br><br>Take a local and organisational approach to DEI | **We will**<br>Be evidence-led in our approach to DEI and being transparent about our success and opportunities to change | **We will**<br>Continue to expand colleague knowledge on DEI | **We will**<br>Build our brand and awareness<br><br>Consider community programmes |

**Supported by a Belonging Knowledge Hub designed to be a one-stop-shop for all colleagues.**

75. During RIIO-T2 our focus has been on female and ethnically diverse colleagues, given we have access to data that enables us to draw meaningful insights. We are currently unable to undertake the same analysis for other diverse characteristics and so a self-disclosure campaign to encourage colleagues is planned to provide richer data, based on which we will be able to identify issues and plan further interventions, as required. This will therefore inform the actions that we take in RIIO-GT3.

76. Our 'belonging forum', a group of diversity, equity and inclusion champions, have been supporting the embedding of DEI into each area of the business, by supporting colleague knowledge building and working with senior leaders on their local belonging action plans, setting out bespoke actions to address challenges and opportunities for the directorate. The focus in RIIO-GT3 turns to reviewing the potential to introduce more targeted employee affinity groups for specific demographics.

77. We will continue to support colleagues to improve their understanding of diversity, equity and inclusion, celebrating diverse occasions and adding to our 'belonging hub', where colleagues are able to access DEI resources, training, inclusion moments for team meetings, information on our strategy and on our 'belonging forum'.

### 2.2.7 Employee Engagement

78. Employee engagement is key to the retention of our people. In April 2022, we began to track colleague sentiment through an Employee Net Promoter Score (eNPS) method. eNPS is a short survey which asks how likely a colleague (which includes contractors) is to recommend our business as a place to work on a scale of 0 to 10. We also ask why a respondent has given their score, providing us with a qualitative insight into the rationale behind employees' scores.

79. To supplement our quarterly eNPS approach, we run an annual survey, conducted in January/February each year, to deliver enriched data and insight on the employee experience. In line with our values, the new annual survey has a simple 25 question set, spilt across three areas; employee advocacy (eNPS), culture and values, and ethics and safe to say. This allows us to take ownership of the employee experience and track the progress we are making in terms of our cultural ambition.

80. The organisational eNPS score of +22 continues the upward trend since 2022 and is deemed a 'good result' when looking at external benchmarks, coupled with a strong response rate of 77 percent. Results against our cultural ambition to be a results-orientated, purpose-led and caring organisation were extremely positive, demonstrating the initial stages of the cultural shift we are making as a new organisation.

81. Whilst positive overall, there remain opportunities for improvement, and we continue to be ambitious in our aspirations. For FY25, we are targeting an organisational eNPS of 25-30 as we seek to further increase employee advocacy. In RIIO-GT3 we would target making further progress towards the 'excellent' benchmark of a 50+ NPS as we strive to be a leading organisation in terms of employee engagement and advocacy. To achieve this, we will need to continue to listen and act on employee feedback such as that outlined below in development of our career framework.

### 2.2.8 Employee Learning and Development

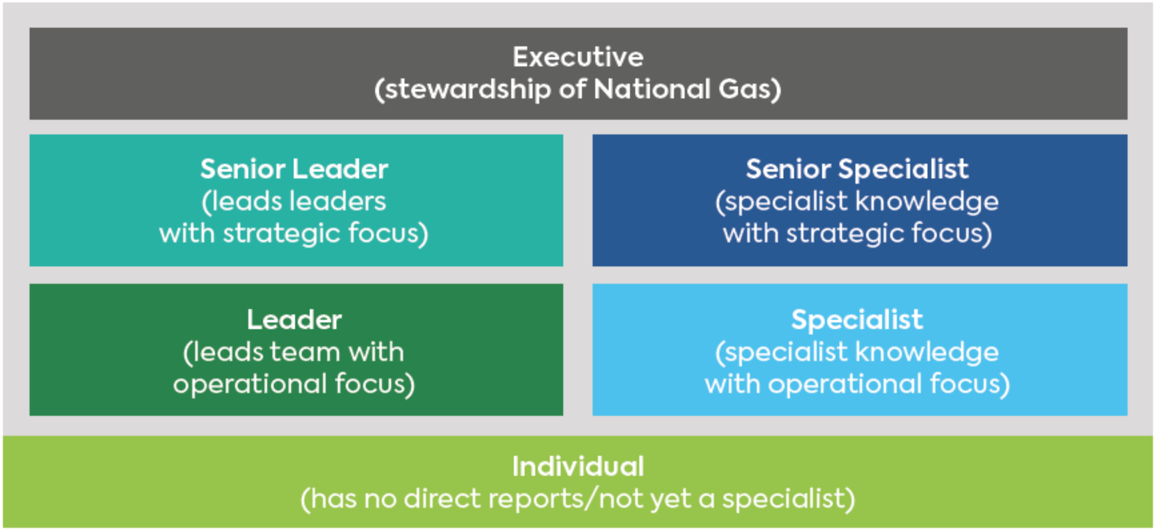
82. Learning and Development (L&D) is critical to the success of NGT now and in the future, and the ability to grow and develop is consistently cited by employees as a key part of our employee value proposition. Following extensive work on the separation and split out of our L&D data, technology and process from National Grid, we have built out our L&D offering for the needs of our new organisation with simplified, more streamlined offerings relevant to a smaller business. We are primarily focused on LinkedIn learning as an access-anytime option for employees and have been promoting this, as well as creating collections of courses relevant to our organisation, to support the employee journey. Our initial targets were 40 percent engagement by the time of separation, and we are now beginning to measure repeat usage as a way of ensuring that our investment is providing meaningful training options and value for money.

83. We have responded to feedback from our employees about the perceived lack of opportunity to grow as a specialist and, as a result, have built a career framework, recognising that seniority needs to reflect thought leadership as well as the more traditional career progression path of people leadership. Each level in the framework articulates what good looks like and the expectations of anyone operating at that level, thereby supporting development planning as well as future career planning.

# 2. Workforce Resilience

84. Our learning framework encompasses personal effectiveness, professional development, leadership development and team development. Our approach is supported by coaching and mentoring and includes a small number of targeted programmes to accelerate learning and development for leaders and colleagues from diverse backgrounds. Following the introduction of leadership programmes, supported by specifically curated digital learning content, we are now focusing our attention on learning and development opportunities for high potential talent, to accelerate readiness for progression, and are rolling out a high performing team toolkit to support team development across NGT. All initiatives are monitored and evaluated to ensure they meet our employees' expectations and deliver the capability the business needs.

Figure 4: **NGT Career Framework**




85. Great leadership is fundamental to both achieving business aims and motivating and inspiring a capable workforce. We have piloted our leadership and senior leadership programmes successfully during the first half of FY25 with positive feedback from both participants and their managers. The programmes focus on both people leadership and the capabilities required to lead the organisation. These programmes will now roll out across the organisation to ensure we have the leadership capability required to both engage and inspire our employees, as well as lead our business to ensure successful delivery of our priorities and strategy.

86. Alongside our Graduate and Apprentice programmes, we also need to continue to develop our current employees and so encourage annual individual development planning, ringfencing departmental budget to cover necessary current and future capability build. This sits alongside encouraging professional development through apprenticeships, further professional development and achieving chartership to ensure the professional integrity of our organisation.

87. We continuously monitor technical capabilities and provide technical training to our employees to maintain safe, technically compliant operational practices. We have moved technical training management to sit with the operational area of the business, moving closer to the point of need and ensuring planning and delivery support rather than disrupt operational delivery.

88. Another key element we are looking to invest in is digital learning. We currently utilise services from different learning providers such as LinkedIn, SAP SuccessFactors learning module and SkillStation for technical training to deliver the learning capability to our colleagues. In RIIO-GT3, we will progress the RIIO-T2 journey by continuous investment in Digital learning.

89. Additionally, we are aiming to improve and simplify this area by moving away from the traditional concept of delivering courses, to a model supported by technology to enhance our colleagues' learning experience.

90. This will also replace the need to access multiple learning platforms. This will be possible by integrating these services within the available technology which will:
    - Simplify the way of suggesting and delivering courses, including tailored development plans.
    - Empower colleagues to enable them to develop their skills and competence.
    - Drive down license and maintenance costs.

### 2.2.9 Reward and Benefits

91. There are a number of challenges for NGT which mean that, for certain critical/niche areas and roles, there is a shortage of candidates, increased candidate and employee salary expectations, and higher negotiated pay deals and salary costs internally and across the sector. For example:
    - The recruitment market has been tight, with continued supply/demand issues for specific skills such as those in cyber and energy sector engineering roles. The global energy sector itself is changing, as can be seen in 2023 research from Willis Towers Watson, one of our reward benchmarking providers, with a focus on low-carbon energy transition, meaning an increased demand for existing and new talent specific to the industry to enable the delivery of more sustainable future energy demands.
    - More specific to NGT is the ease of movement to National Grid as a previous and neighbouring employer offering higher salaries along with the separation of NESO who have an aggressive plan to fill vacancies. Both pose a further risk to our own growth aspirations.

92. We will have to be flexible and creative with our reward offering to achieve our ambitious Strategic Workforce Plan.

93. At present, we have a robust and structured approach to remuneration, with mechanisms that allow flexibility to respond to business needs in a transparent and measured way. Our total reward offering includes:
    - guaranteed pay (base salaries);
    - non-guaranteed pay (for specific working situations such as shift allowances, supplements for specific roles or locations, overtime, etc.);
    - short- and long-term incentives with a performance and retention focus;
    - a recognition scheme for in-the moment achievements, career milestones and professional attainments; and
    - competitive pension and benefits including health and wellbeing.

94. In terms of guaranteed pay, we pay Real Living Wage for all of our employees including our early careers cohort and have structured and visible salary step progression, which enables an attractive recruitment and retention proposition in an area seen as key for growing the business and pipeline for future skills and leaders.

95. In 2024, we introduced pay progression for our more senior staff colleagues which has given employees a clear pathway for reaching 'market salary' over time, subject to performance. It offers transparency and serves as a useful retention tool. In addition, the cap on internal promotional salary increases for those senior staff has been extended to give flexibility to recognise individuals' skills and to mitigate the attraction of external offers.

96. In Staff level roles, we use 'market supplements' which are non-permanent supplements reflecting market pressures for particular roles or locations where necessary. These are regularly reviewed for continued relevance with the ability to remove as market conditions ease. They do, however enable us to react to the market without breaking our negotiated pay frameworks. We will continue to review use of these long term for roles identified as critical to our strategic workforce plans for both attraction and retention purposes.

97. To mitigate retention risks, we are also using structured retention agreements as a tool to retain key skills and talent, tied to specific objectives over specified time periods. First introduced to support separation, the focus is now on achieving our strategy and deliverables in the short to medium term. Like our incentive schemes, payments have lower on-costs as they're one-off, time specific and not consolidated into base salary.

98. In addition, our cash long term incentive plan (LTIPs) for senior leaders and one-off awards for key individuals at any level/pay grade, are a key and valued part of the remuneration package for motivating and retaining critical talent in the longer term.

99. Although a median payer as a regulated and commercial business, we recognise that as we grow and need to attract critical skills, we may need to be more flexible in our offering. When considering our priorities, larger senior leader roles with significant accountabilities critical to the future of the business may warrant bringing the right person in at the upper range of our salaries.

100. Our pensions, benefits and health and wellbeing offering is competitive, and there are opportunities to ensure that we remain differentiated in the market and listen to candidate and employee feedback about what is important to them. We will at least maintain the level of our benefits package, with a renewed focus on communicating and promoting our offering, for example explaining why we offer each element and how they fit into our EVP. We must also encourage and enable our managers to talk with confidence about our total reward package to remove the focus from pure baseline salary.

# 2. Workforce Resilience

101. Willis Towers Watson suggest that due to the sector challenges, there's a renewed focus in the market on workplace flexibility, changes to health and wellness benefits and a focus on ESG and DEI. We ensure that our reward, ESG and DEI strategies align and continue to work closely to identify opportunities for improvement, for example to build on our gender/ethnicity pay gap action plans and our approach to, and communication of, ESG.

### 2.2.10 Monitoring workforce resilience

102. Understanding our progress against our workforce plans is essential to confirm that we are taking the right actions and can course correct as needed. We measure our resilience through a number of different metrics through our employee lifecycle:
    - monthly tracking of headcount versus budget by business area through Finance to ensure we are on the right trajectory to meet our needs, without exceeding
    - headcount including mix of direct and contingent
    - recruitment progress, including the diversity of external recruits and mix of internal versus external appointments to ensure we are both bringing in new talent to the organisation, balanced with providing career development opportunities for our current employees
    - overall diversity and diversity within our leadership population to better reflect the overall population, ensure diversity of thought in decision making, and provide role models to inspire others
    - employee engagement to regularly test employee sentiment and enable us to catch issues early
    - attrition – overall and voluntary including diversity to understand if there are any issues with our retention and identify any themes of concern.

103. We are also working with Energy & Utility Skills on the introduction of their sector workforce resilience metrics to be able to gain a sector view and benchmark ourselves.

#### Workforce plans by business area for RIIO-GT3

104. In this section we detail by business area our workforce plans for RIIO-GT3. This builds on our performance at RIIO-T2 and describes how we will address specific challenges outlined in the previous sections.

### 2.2.11 Asset Management

105. From a FY24 baseline of 253 employees, Asset Management is forecast to grow by 65 over the remainder of RIIO-T2 and by a further 19 by the close of FY28. The growth in RIIO-T2 and into the start of RIIO-GT3 is predominately within Integrity, Policy Engineering and Maintenance - resource required to enable delivery of the larger capex workbook required at RIIO-GT3. Following a peak in FY28, headcount will then slightly decrease over the remaining RIIO-GT3 period (-13) which we expect will be a mix of natural attrition and process efficiencies.

106. A blended approach to achieve headcount growth will be utilised - a combination of new graduates and degree apprentices (8 per annum increasing to 11 over RIIO-GT3) and experienced hire sourcing. Reliance on contract labour will continue to be modest at around 10 percent, to maintain flexibility and resilience and the insourcing of a small percentage of technical services activity will also be explored in RIIO-GT3. Taking this approach will mitigate risks to sourcing capability and ensure we are building our own capability for the future.

### 2.2.12 Construction

107. From a FY24 baseline of 258 employees, Construction is forecast to grow by 170 heads over the remainder of RIIO-T2 and by a further 16 in the first year of RIIO-GT3. Growth is across all Construction roles, from pre-delivery roles including Quantity Surveyors, Planners and Risk Engineers to all aspects of delivery, across all portfolios (Cyber, Sites and Major Projects). Delivery roles include Project Managers and Senior Project Managers, Supervisors and Design Co-ordinators. This front loading of resource will ensure that Construction has the appropriate capability to coincide with when work is due to commence, enabling delivery of the remainder of RIIO-T2 and RIIO-GT3 requirements as well as the delivery of Project Union (FEED stage only) and Scot 2 Connect.

108. Construction will continue to operate with a 70/30 percent split of direct and contingent labour to provide flexibility for location, duration of projects and short-term niche skills, as required.

### 2.2.12 Construction

109. Given the resource challenges in the Construction market outlined in section 2.1.4, which are not expected to change in the near future, we have recently commenced a market mapping exercise to understand availability of labour and salary packages/expectations, as well as developing relationships with organisations supporting Service personnel transitioning from the Armed forces and learning providers e.g. United Living.

110. We are planning to open a new office in the East Midlands area in the current financial year to expand our geographical reach (away from the main Warwick office), which will further enable us to secure external talent, by being close to several major conurbations and university cities. We will continue to develop relationships with learning providers and educational establishments, similar to the one developed with Nottingham Trent University, which is currently a provider of quality talent for our Construction team.

### 2.2.13 Procurement

111. From a FY24 baseline of 40 employees, Procurement is forecast to grow by 19 heads over the remainder of RIIO-T2 and by a further three over the first two years of RIIO-GT3.

112. The Procurement organisational redesign in FY24 created a standalone function. For the remainder of RIIO-T2 and RIIO-GT3, we have taken a bottom-up view of capability and headcount requirements, based on the unconstrained Asset Management Plan, with increases directly attributable to procurement activity required to deliver workbook growth during this period.

113. We will be growing the team to reflect the additional work required during the regulatory period. However, we will be bringing in new capacity and capability to address key areas including, but not limited to, focus on maturing our Supplier Relationship Management approach, implementing and embedding our Sustainability journey and addressing changes in regulations from Procurement Reform.

114. Although investment is planned in IT to drive efficiency, this will need to be delivered through RIIO-GT3, therefore further resource efficiencies are unlikely to be realised during this period as capacity will be needed to deliver the system changes and embed.

115. Headcount growth is planned to be achieved through a blend of direct and flexible resource – with the latter being able to be flexed based on demand and skill requirements.

116. Competition in the procurement market remains tight so a blended approach to building capability remains imperative. Our focus continues to be building in-house capability with supported development through coaching, shadowing and training, in line with a structured skills model, combined with the appointment of experienced external hires. An early careers pipeline (apprenticeship) is to be developed to further build and strengthen talent and succession pipelines. Due to the size of the team this will start small with two candidates per annum to enable robust coaching and development.

### 2.2.14 Operations

117. From a FY24 baseline of 601 employees, Operations is forecast to grow by 199 heads over the remainder of RIIO-T2 and by a further 246 over the RIIO-GT3 period.

118. The growth in RIIO-T2 is, in the main, due to a desire to increase the number of apprentices across all disciplines – Electrical, Mechanical and Instrumentation – over the next two years, given the challenges we continue to face in sourcing skilled, experienced workers to deliver our increased workload. This approach will also enable us to build strong links with local schools, colleges and universities in areas close to our operations which we will also be able to leverage into RIIO-GT3. To ensure the success of these entry level programmes, we will also need to secure additional experienced resource to lead on the training, competency and mentoring of our growing workforce.

# 2. Workforce Resilience

119. The majority of Operations headcount growth (246 heads) in RIIO-GT3 is planned within Year one (FY27), which, whilst front loaded and therefore may be challenging to source, ensures we are well placed to deliver on our RIIO-GT3 commitments. Headcount growth in RIIO-GT3 is about supporting the significant planned increase in capital projects proposed for Asset Health Investments and will deliver increased levels of maintenance, driven by enhanced safety and environmental standards in the areas of functional safety, pipeline maintenance and DSEAR compliance, as well as enhanced emissions monitoring at our terminals and compliance with updated security standards (SEC1). Additional resource will also be sourced to ensure compliance with updated Cyber security standards as well as continuing our investment in apprenticeships.

120. We have recently undertaken a market mapping exercise which is currently being reviewed to understand availability of labour and salary packages/expectations, as well as developing relationships with learning providers e.g. United Living Welding.

121. To help facilitate the significant planned increase in Capital Projects proposed for Asset Health Investments, alongside the ongoing management of our ageing assets and network access, enhanced planning capability and compliance support is required to provide the necessary support for our permit to work system, thereby enabling the safe delivery of the Capital Plan and reliability of ageing assets.

122. We are also finalising a business case to create a Rotating Machinery Centre, to insource the refurbishment of gas turbines and compressors and to securely store our strategic compressor spares. This will deliver financial value, build internal capability, and improve the resilience of our compressor fleet.

### 2.2.15 System Operations

123. From a FY24 baseline of 240 employees, System Operations is forecast to grow by 48 heads over the remainder of RIIO-T2 and by a further 51 over the RIIO-GT3 period. Most of the increase within RIIO-T2 is as a result of three factors:
- to address known vacancies (some of which have arisen as a result of NESO recruitment);
- to deliver defined re-openers such as Cyber and Project Union (subject to Ofgem approval);
- or to service new interfaces with the NESO (Strategic Planning, Market Strategy and Resilience & Emergency Management).

124. With respect to the third driver, the advent of the NESO will fundamentally change existing institutional roles, and we must be prepared to work with, and effectively influence, within this new environment, whilst continuing to proactively drive changes to GB market arrangements to safeguard energy security. Consequently, future growth in System Operations will be driven by a combination of factors including:
- Increased SO IT capex plan to replace and enhance the Critical National Infrastructure (CNI) systems that service the National Control Centre
- Driving market reform to enable the physical, commercial and regulatory changes necessary to transport H2 on the National Transmission System
- Building the Cyber capabilities required to ensure we meet our legal and regulatory obligations and achieve enhanced Cyber Assessment Framework profile
- Deliverability & system access to enable a significant increase in capex on the National Transmission System
- Delivering a growing portfolio of market change activities, including those related to charging and capacity baselines
- Enhancing the frameworks and tools to maintain energy security.

125. Given the competitive and specialist market of system operator skillsets and capabilities, we will continue to work with specialist contingent labour providers to meet this growth in the first instance, building our in-house capabilities over time. We are also currently designing a training scheme to bring in talent at a 'grass roots' level, enabling participants to gain experience in all areas of System Operation to develop a more robust future talent pipeline.

### 2.2.16 Finance

126. From a FY24 baseline of 120 employees, Finance is forecast to grow by three heads over the remainder of RIIO-T2 and by a further 38 by the end of the RIIO-GT3 period. Overall growth is offset slightly by separation roles which were focused on smooth transition out of the TSA with National Grid ending in FY26 (-11 heads).

127. The potential [redacted] results in growth of 26 heads; the business case supporting this decision will be reviewed at the end of RIIO-T2 to confirm whether this makes best commercial sense. The Finance Business Partner population will also continue to grow in line with the RIIO-T2/RIIO-GT3 workbook (+7 heads).

128. Our approach to recruitment will continue to be 'Build and Buy' made up of predominantly internal talent moves complemented by external recruitment. We have recently launched an apprenticeship scheme in Finance, with two apprentices joining two new graduate entrants in September 2024 and we shall continue this level of entry talent recruitment bi-annually thereafter to build and strengthen our future talent pipeline.

### 2.2.17 IT

129. From a FY24 baseline of 284 employees, IT is forecast to grow by 124 heads over the remainder of RIIO-T2, and by a further 55 over the RIIO-GT3 period. [redacted]

130. IT, currently, is set up to deliver separation and 'run' the service. However, RIIO-GT3 requires a workforce which not only maintains the skills required for today, but as a leaner and more agile organisation, lead the energy sector in innovation and security to deliver on our business plans.

131. Current workforce numbers include c. 59 contractor roles supporting separation. It is expected, by January 2025, that these contractor roles will have rolled-off and, where relevant, will be replaced by direct headcount as part of the post separation target operating model. However, we will continue to maintain a healthy contingent workforce to flex against the increased demands of RIIO-GT3. Our service organisation will be staffed with a permanent workforce to retain knowledge and skills inhouse. We are thus forecasting an overall 70/30 split (direct vs contingent) throughout RIIO-GT3.

132. Investment in early careers talent will continue to increase (+10 bi-annually) as graduate and apprentice roles are introduced across all technology disciplines from FY25.

133. IT will deliver its workforce plan against four key strategic outcomes; Innovation & Growth, Delivery Excellence, Skills for the Future and Strategic Partnerships; partnering with suppliers who have agility, skills and resources to help deliver our business objectives and investment plan.

134. [redacted]

135. [redacted] This will ensure we create a healthy pipeline of talent into the workforce and reduce our reliance on specialist agencies over the longer term.

### 2.2.18 People

136. The People function will see a very modest growth from a baseline of 58 employees in FY24 to 62 employees by the end of the RIIO-GT3 period. Growth in the Talent Acquisition team in FY25 directly correlates with the significant increase in the overall number of employees required in the final two years of RIIO-T2 and the first year of RIIO-GT3, to ensure we have the internal capability to source the talent we need. There is also a slight increase in the People Services team to support the efforts to transition off National Grid's people system and to stand up our own outsourced payroll provision.

137. The only permanent increases during the RIIO-GT3 period are the addition of an extra head in the Cases team to accommodate a potential increase in individual cases and one additional head in payroll, both aligned to the overall employee population increases.

# 2. Workforce Resilience

### 2.2.19 Legal and General Counsel

138. From a FY24 baseline of 33 employees, Legal and General Counsel is forecast to grow by nine heads over the remainder of RIIO-T2 and by a further eight by the end of the RIIO-GT3 period. This growth correlates with the need to serve a larger NGT business. There is also the flexibility to source additional temporary expertise and support across all disciplines within the function if required.

139. This growth in headcount will be sourced from the external market with some internal talent moves being used to develop key skills. However, we will also consider external secondments from Professional firms as a further flexible resourcing option. Succession resilience is also being developed with the cross-skilling of Internal Audit and Risk & Assurance roles.

### 2.2.20 Commercial

140. From a FY24 baseline of 116 employees, Commercial is forecast to grow by 42 heads over the remainder of RIIO-T2 before reducing slightly by three for the remainder of the RIIO-GT3 period.

141. Market Analysis, a relatively new team, is growing to provide the resource to challenge the upcoming Centralised Strategic Network Plan (CSNP) within NESO.

142. Other growth sits in our Business Development and Account Management teams (+6), enabling further opportunities to be identified to help support the growth of our business and to support strategic customer engagement.

143. The resource for both of the above teams will be drawn from the external market, given a recent mapping exercise indicates that these skills are readily available.

144. Land & Property will see modest growth (+3) to provide the additional consenting and project management skills required to support the growth in the Asset Management Plan. We are currently engaging with a specialist agency to better understand the availability of these skills in the external market.

145. Depending on the availability of these skills in the external market, we are also considering the development of a bespoke training scheme to bring in and develop talent at a 'grass roots' level.

# 3. Supply Chain Resilience

## 3.1 Introduction

146. A resilient supply chain that provides long-term capacity for the materials, services, and contractors we need at efficient prices is critical to the delivery of our RIIO-GT3 business plan. A coordinated and focused approach is required to ensure we can deliver our £2.7bn of planned investment. Despite a challenging market backdrop and ongoing competition in the infrastructure market, this plan sets out our approach to supply chain resilience, giving us confidence in the deliverability of our RIIO-GT3 business plan, as well as the resilience of our supply chain in the longer term.

147. In this section we explain:
- How we have already prepared to ensure a resilient supply chain to deliver a 40 percent larger plan.
- Our future plans to secure supply to ensure our long-term ability to deliver our plan.
- How we are ensuring that best value is achieved for current and future customers.

148. The following sub-sections set out:
- Challenges – global and local
  - Brief overview of challenges NGT have faced when sourcing to deliver our plan.
- Setting the scene – RIIO-GT2
  - Context of the journey NGT has been on, improvements we have made and issues we still face.
- Securing our ability to deliver for the long term
  - Our view of capacity mapping and the strategies we will adopt to ensure we have the right skills, services and materials to deliver our plan.
- Overview of our supply chain & delivery strategies
  - Our strategies to secure capacity with a focus on three core areas;
    - Design
    - Materials
    - Main works contractors
  - The initiatives in each area which support us in delivering value. Examples of these are; Supply chain diversification, technology agnostic approaches, stocking and ECI.
- Driving value through competition in RIIO-GT3
  - Outlining where and how competition will be used through our next regulatory period by explaining our strategic approach, processes and policies. The focus is on a balanced approach of fostering collaborative long term relationships weighed up against the benefit of a traditional tender.
- Engagement and collaboration with industry and the supply chain
  - The supply chain and industry engagement, initiatives and communications NGT has done to date and what we will continue in RIIO-GT3.
- NGT Procurement and supply chain team
  - Outline of the change journey our procurement team has been on and the pillars of our strategy.
- Supply chain resilience conclusion
  - Overview of the challenges experienced by global supply chains since our RIIO-T2 submission

## 3.2 Challenges

### Global challenges

149. This decade has been one of multiple global disruptions to supply chains. Since the start of the 2020s, businesses have faced challenges that are reshaping global supply chains. Including the COVID-19 pandemic, impacts of the climate crisis, labour shortages, escalating trade wars, the withdrawal of the UK from the European Union, shipping constraints (i.e. Suez Canal blockage), high levels of inflation, and global conflicts. These disruptions have impacted the supply of labour, materials delivery, quality and the associated costs.

150. The resulting volatility of global supply chains shows no signs of slowing down. This year will be the biggest election year in history with over 60 countries and half of the world's population headed to the polls – which will lead to further impacts to global supply chains.

# 3. Supply Chain Resilience

### Local challenges

151. In the UK the risk from supply chain failure remains. Government data shows there were 4,370 construction insolvencies in 2023, 45 percent above the long-term trend since 2010[4]. For NGT, this created challenges in RIIO-T2, examples of which include a critical valve provider, pipe storage facility and mechanical works suppliers becoming insolvent or at risk of insolvency, creating demand bottlenecks, increasing lead times and costs.

152. We also see significant challenges affecting labour in our industry as explained in the Strategic Workforce Planning Section [2]. This competition for resource directly impacts our ability to grow and develop our supply chain to deliver growing work volumes. Without forward planning we see suppliers 'poaching' staff in a cyclical manner affecting continuity and cost and driving a need to hire contingent labour at a higher cost. For some specialisms we have seen salary increases in the market more than 20 percent p.a. due to demand for skills.

153. These disruptions are exacerbated by a reduced attractiveness of NGT to some suppliers, due to a decline in overall spending power that we previously benefitted from when part of National Grid. This has reinforced the need for NGT to drive value from collaborative long-term relationships, diversification/regionalisation, and Supplier Relationship Management, all with the right partners.

154. These challenges provide important context to the need for a strategic approach to ensuring near-term and long-term supply chain resilience. In this section we explain the steps we are taking to address these challenges.

## 3.3 Setting the Scene: RIIO-T2

155. Planning for RIIO-T2, we had a strategy of consolidating volumes of similar work types together to be delivered by a small number of suppliers to generate best value – through this regulatory period we have identified over-reliance, over consolidation and supply issues because of the challenges discussed in section 3.2 above. These difficulties were not foreseen in the preparation for RIIO-T2 due to the exceptional and unprecedented nature of the disruptions occurring at that time.

156. NGT were slow to invest and prepare for the RIIO-T2 plan with investment coming once the plan was agreed. This time, with board approval, early investment has began in core areas of Survey, Materials and Design to allow NGT to meet milestones required for Year one.

157. NGT has been progressing mitigating actions through RIIO-T2 to overcome the challenges outlined above. Below we provide an overview of the changes we have made. In addition, following separation from National Grid, we have been working to review our supply chain suitability for our standalone business and to better align our supplier relationships with our needs.

158. As a result, we have been working to expand our supply chain and to build relationships with potential future suppliers to address challenges and support growth. Resulting in early efforts to diversify our supply chain, with new suppliers introduced to provide resilience and reduce over-reliance on a number of Tier 1 contractors.

### 3.3.1 Changes we're proud of

159. Below are positive changes that we made during RIIO-T2, and that we will continue to build on at RIIO-GT3.

160. Collaborative Delivery: we have established partnerships with key suppliers for our largest investment themes (Asset Health and [redacted]) and are piloting a similar partnership approach for lower complexity Asset Health work to develop capacity. These partnerships and long-term arrangements establish a great foundation and opportunity for further developing our collaborative approach in T3.

[4] Arcadis – Market View Spring 2024 Data from insolvency specialist Begbies Traynor

161. Supply Chain Diversification: In RIIO-T2, we have introduced new suppliers to increase diversification of our supply chain (improving resilience) and build capacity. Examples include:
   - **Demolition:** Six suppliers awarded framework places introducing specialist suppliers
   - **Customer Diversions:** A wider supply base targeted resulting in three new suppliers identified.
   - **Personal Protective Equipment (PPE):** Following supply constraint a new supplier has been trialled for hard to source items and substitution of products explored to increase supply resilience and enabling us to explore PPE inclusivity.
   - **Products Diversification:** New suppliers identified and qualified for a number of critical long lead time products and a targeted plan for further expansion developed.

162. Evolving our Team: We have embedded a new organisation model (December 2023) in procurement that allows our team to focus on delivering value. This is detailed further in Section 3.7 and was a necessary change.

163. Whilst we still have further improvements to make as we approach RIIO-GT3 we feel we're much better positioned to react to market risks, develop category strategies and achieve the best outcomes for consumers.

### 3.3.2 Issues we've had to overcome

164. We have seen difficulties in sourcing materials and specialist resources due to increased demand across the utilities and construction sector. This has resulted in delays and in some circumstances has impacted costs of delivery. Several examples are provided below:
   - Welding inspectors were an issue due to several factors compounding to create resource shortages. Due to low demand for new major UK Gas pipelines, few Welding Inspector resources have been developed. Combined with the Pandemic, lack of training opportunities and an aging workforce has dramatically reduced supply of these skills in the UK. Exacerbated by opportunities on large global projects (Gulf of Mexico, India, Azerbaijan) and in the water industry has meant we have had to renegotiate rates outside of typical increases.
   - For E&I Engineers demand is outstripping supply. To increase supply requires investment and time for engineers to qualify. The increased demand has been triggered by a boom in the number cyber related work across the UK influenced by the NIS directive and geo-political risks coming to the fore.
   - Valve provision was impacted during COVID-19 as a high proportion of our qualified mills were based in northern Italy which experienced serious COVID-19 lockdowns. This was followed by a supplier going into administration and another supplier experiencing serious quality concerns. Resultingly project delivery was impacted due to lack of product availability.
   - Following mobilisation in early 2022, our Valves & Actuators Stockist arrangement has provided us a flexible framework from which to collaboratively expand the qualified supply chain for critical long lead products that were challenging to source at the start of RIIO-T2.

165. The learnings from these experiences have fed into our strategies and approaches for RIIO-GT3 resilience and securing long term delivery.

### 3.3.3 Feedback from our supply chain partners

166. Over the last 18 months (since separation from National Grid) we've engaged our supply chain partners to gather feedback and insight. In doing this we can evolve our strategies and implement improvement activities to push us further on our ambition to become 'client of choice'.

167. Feedback from our supply chain has been vital in developing our RIIO-GT3 approach. We have sought input to testing our ambitious investment plan, understanding capacity and to challenge the deliverability of our investment plan. This has included targeted conversations with core supply chain partners around capacity requirements with further planned engagement in January.

168. Additionally, through supply chain engagement, Partnership Boards and our Supplier Engagement Surveys (SNPS – Supplier Net Promoter Score: undertaken six monthly to seek feedback on "what it is like to work with NG"), we seek ongoing feedback to improve the way we work. We have now completed three SNPS surveys, with the latest survey in September achieving a score +55, up from +37 in the previous survey. These engagements highlight key insights, improvement opportunities and how to remove barriers to delivery.

169. Critically our engagement with our supply chain will be ongoing through RIIO-GT3, enabling us to respond quickly to changing conditions. As such we intend that our strategy remains flexible to enables best value for customers, security of supply and embed sustainability.

# 3. Supply Chain Resilience

## 3.4 Securing our ability to deliver for the long-term

170. This section captures our strategy for ensuring our long-term ability to deliver our investment plans on RIIO-GT3 and beyond, and how we are and will ensure a secure and resilient supply chain. This includes our approach to addressing the challenges, and applying the learnings, set out in the previous sections.

171. Our RIIO-GT3 investment plan is significantly larger than that of previous regulatory periods (c. 40 percent increase from RIIO-T2) and the external market conditions remain challenging, with significant competition in the UK marketplace (Figure 6 evidences the flow of works in the main works contractor market) and a volatile macro-economic environment (Section 3.2) making securing our supply chain one of our three key priorities within procurement and supply chain:

Figure 5: **Procurement's three key priorities**

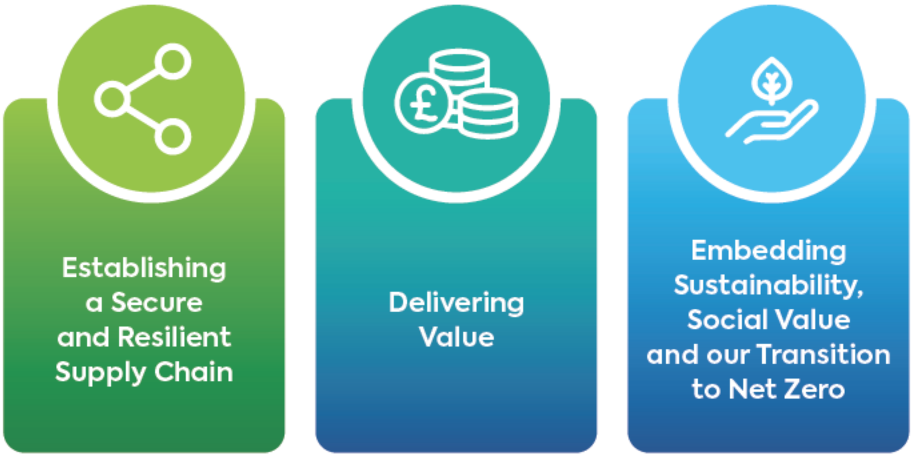
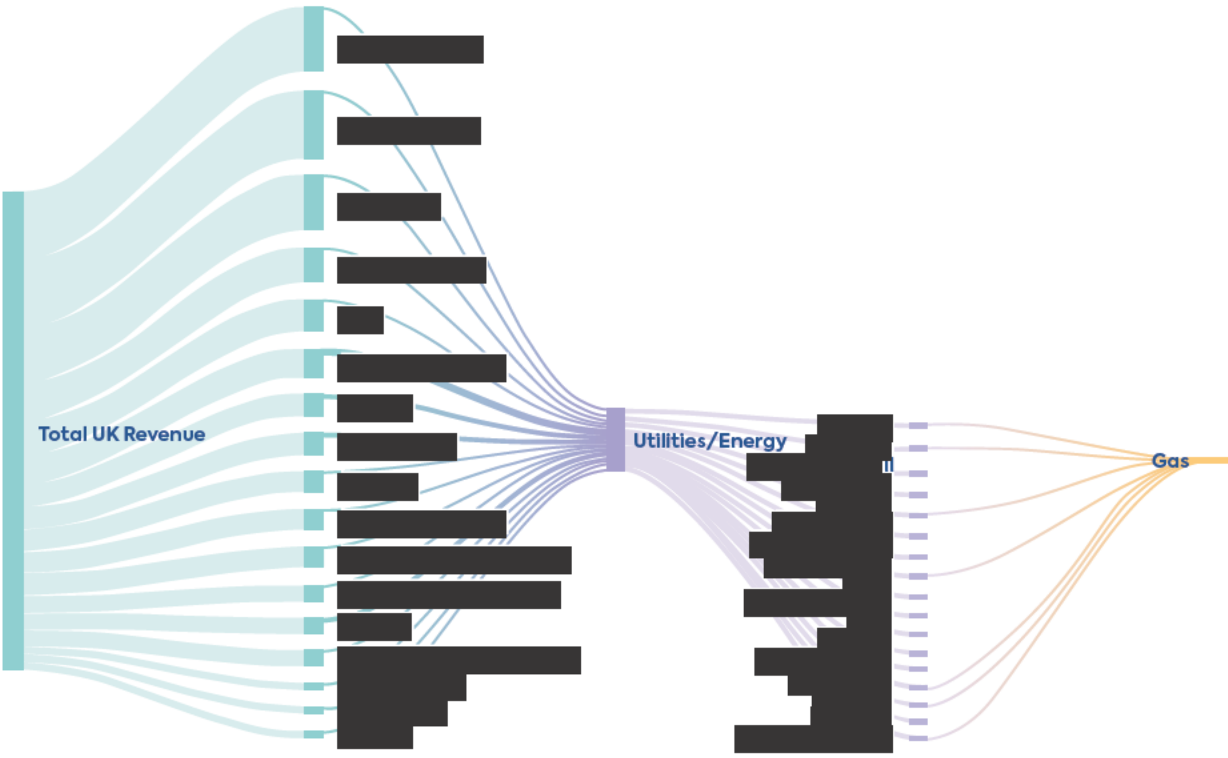



Figure 6: **Gas Sector within the Utilities and Energy Infrastructure Main Works Contractor Market** (Insider Pro, 2024)




172. We explain below the steps we have already taken as part of our RIIO-GT3 planning process to ensure readiness for T3 getting us on the front foot.

## We confirmed our Supply Chain capacity

173. The majority of our RIIO-GT3 Investment Plan will be delivered by our supply chain. To ensure that we have a suitable supply chain capacity we have engaged our supply chain about their current and future capacity.

174. We have identified that for most of the investment to be delivered in RIIO-GT3 we have access to the appropriate Contractor capacity required to deliver. We have held meetings with senior leaders (COO, CEO level) with our core supply chain partners to lock in their commitments to us, and the consumer, for the next regulatory period. We have confidence across Asset Health (Plant & Equipment and Civils), [redacted], [redacted], Emissions, Control Systems and are already investing in purchasing materials ready for RIIO-GT3 with board approval. These areas cover c. 60 percent of our plan. These have either; Frameworks in place with longevity to cover requirements (and contractors already engaged and visibility shared), already awarded with works continuing through into RIIO-GT3 or currently in a live tender to award the works.

175. Some areas, however, are constrained; in these areas we will work to secure new suppliers and increase capacity. We explain how we will do this in Section 3.5. A key example of this includes Compressor Enclosure Modifications. To address this area of constraint we have undertaken to identify new suppliers, proactively commence quality assurance activities and arranged pilot opportunities, resulting in a doubling of our potential supplier numbers ahead of going to market.

176. Alongside reviewing our supply chain we have explored opportunities to deliver in-house that would be complementary relative to the markets offering and could support long-term resilience.

177. The graphic below illustrates our activity in baselining capacity required for RIIO-GT3. This has been delivered as part of understanding gaps in our supply chain against the requirements per theme of work. This allows us to prioritise areas where we don't have full capacity in place prior to April 2026. There are areas below where works can cross themes and therefore supply chain (Pipelines for example – interventions cross Civils, Mechanical and Asset Health providers so we have flexibility to move capacity across these). The key section is to the right of the graphic – which shows indicative capacity at a theme level.

Figure 7: **Main works contractor capacity assessment**

[redacted]

# 3. Supply Chain Resilience

### Securing capacity early with our existing suppliers

178. As we commenced RIIO-T2, new Frameworks were still to be awarded, leading to a slower start in developing the early phases of the projects and aspects of the RIIO-T2 plan. For RIIO-GT3, we have learnt from this experience by flowing forward existing agreements where possible, maximising terms and extensions (where suitable). This approach enables existing suppliers to have confidence to support our preparation ahead of the new regulatory deal and ensure a swift start to work in FY27.

179. We have also already contracted work for RIIO-GT3 such as [redacted], Emissions projects and Asset Health activities at [redacted]. In total we have already committed to projects or have access to agreements that enable delivery of c. 60 percent of RIIO-GT3 project value. Key examples of this include:
    - [redacted] comprises c. 18 percent of our plan of our £2.7bn investment plan – a significant proportion of these full site [redacted] replacements are already in flight and committed to supply partners for delivery in T3 (c. 50 percent of the projects to be delivered are already awarded).
    - We intend to extend our existing Asset Health partnership into T3 (Case Study A), enabling early involvement in delivery planning and giving an established route for c. 37 percent of the investment plan by value (this includes [redacted] and [redacted] – although decisions are still to be made on how we apportion or split these works going forward to best drive value – as per Case Study B).

### Ready to deliver from day one

180. By starting preparations for RIIO-GT3 works earlier, we are putting NGT and our suppliers on the front foot.

181. Together with our supply chain we are working to ensure projects are ready ahead of RIIO-GT3. Starting work that is 'no regrets' or has longer lead times is vital to ensure we don't make a standing start.

182. We have begun preparation including surveys and early design on 29 sanctions ahead of T3 spanning Asset Health, Terminals, Electrical and Pipeline works. In FY26 we plan to progress work valued at c. 8 percent of the Year one investment plan.

### Starting and Finishing on time

183. Starting work early is critical, but equally as critical is finishing work on time. To be able to deliver the 40 percent growth in our plan we will need to take a greater number of outages on the network.

184. To continue to ensure supply to customers, only certain outages can be taken at any one time and therefore a delay to a return to service can impact whether other works can be delivered.

185. Failure to deliver on time creates a risk for NGT resulting in inefficiency in the use of the network, and inefficient use of our resources and those of our supply chain. Subsequently this will increase the costs.

186. We will mitigate the risks of delay through thorough preparation for delivery in the pre-construction phase. We will also be using new technologies including digital and virtual models. These activities will help delivery run smoothly through early identification of challenges and risks. On-time delivery will also be incentivised.

### Diversification of our supply chain

187. Building on our efforts in RIIO-T2, further work will be done to diversify our supply chain. With NGT anticipated to have a smaller investment plan than other utilities we must both retain key partners and introduce new suppliers to increase capacity and build resilience.

188. For capital investment themes and major projects, diversification will focus on:
    (i) ensuring capacity is balanced with the volume of work;
    (ii) building capability in constrained themes;
    (iii) addressing gaps in skills; and
    (iv) unbundling scopes to open opportunity for alternative suppliers.

189. For operational activities diversification will focus on localisation of supply where possible. This has the benefit of developing supply close to demand, especially around critical sites such as [redacted] and [redacted] with the benefit of enabling NGT to contribute to the economy in the communities closest to its operations.

### Continued application of what has worked well in RIIO-T2

190. We have looked to ensure the strong foundations set in RIIO-T2 can be built upon and the experiences of this period embedded into our RIIO-GT3 approach. Details of our future sourcing strategies (in Section 5) are supported by examples of the steps already taken that provide confidence in our ability to deliver RIIO-GT3.

## 3.5 Overview of our Supply Chain & Delivery Strategies

191. Our RIIO-GT3 investment plan of £2.7Bn in operational CAPEX can be broken down into;
    - Internal costs (Survey, Project Management, Internal Overheads)
    - Design (Feasibility, Conceptual Design, Detailed Design)
    - Materials (Valves, Fitting, Pipes, Spares, Compressors)
    - Delivery – Costs associated with the construction typically by Main Works Contractors

192. Based on the proportions of our plan our primary focus in this document is the delivery of our capital plan, however the strategies set out in the sections below apply across our supply chain.

193. The delivery of our plan is reliant on securing capacity from:
    - **Design houses:** Conceptual, Feasibility and Detailed Design, Standardisation of Design
    - **Material providers:** For equipment and Long-leads items including Valves, Pipe, Compressors etc.
    - **Delivery resources:** Predominantly including Contractors to undertake on site works.

194. In the sub-sections below, we set out our strategies in relation to securing capacity for design, materials and main works contractors, in turn.

### 3.5.1 Design

195. Our RIIO-GT3 business plan requires significant amount of design work. It is vital that NGT has the right capacity and the right partners involved in design, to enable opportunities to value engineer, de-risk delivery and reduce the delivery costs of projects. In RIIO-GT3 we must deliver greater volumes of work than in RIIO-T2 and a good design with a focus on pre-construction readiness activity will increase the constructability of the chosen solution and minimise the likelihood of cost and time overruns in the deliver phase.

### Securing Capacity

196. Our current Design Services Framework provides access to ten design houses[5]. We will require a reasonable amount of design capability and from our assessment have the capacity required to deliver this is already accessible within our existing supply chain if phased appropriately and allocated early.

197. In 2024, we completed the acquisition of Premtech, a designer specialising in engineering consultancy and design in the energy sector. This transaction brought important design capability into the NGT group, supporting delivery of our plan and in a wide range of digital and innovation projects. We will continue to utilise Premtech to deliver design activities as part of our supply chain.

198. We are augmenting the skills and capacity from our supply chain partners by developing inhouse capabilities in Feasibility and Concept design for lower complexity activities such as Decommissioning. This diversification reduces our reliance on experienced suppliers for less complex activities and frees up supply chain capacity whilst building in house competence.

199. Our increased use of Two Stage Contracts, where design is undertaken by the Contractor (this is covered in section 3.5.3), enables access to wider supply chain for Design i.e. new partnerships proposed between Tier 1s and [redacted] for recent major projects. This route is enabling us to leverage and attract suppliers from the UK and international Oil and Gas sector.

[5] Including Premtech Limited

# 3. Supply Chain Resilience

**Standardisation**

200. We are working with Premtech to introduce standard designs to increase efficiency across all stages of delivery of our RIIO-GT3 investment plan. This will enable innovation to be reviewed and adopted more quickly and delivering earlier value for customers. Benefits also include reducing the time to complete on site works by increasing modularity and repeatability, resulting in increases in quality, reducing risk of delay, and improved safety performance. The benefits of standardised design on materials are covered in section 3.5.2.

**Technology Agnostic Design**

201. Embedding technology agnosticism enables flexibility, system compatibility, adaptability and sustainability. Choosing not to specify specific supplier products, tools or technologies enables new innovations and market offerings to be adopted more quickly and avoids creating a reliance on specific vendors, enabling access to wider markets and unlocking cost savings. This approach enables NGT to work closely with its supply chain to seek out the best methods and approaches for delivering the outputs required.

202. Within our control systems space we allow contractors to design the best output for the site without us specifying the technology. There are instances where options are limited due to integration with existing assets or where Intellectual Property Rights (IPR) are held by an Original Equipment Manufacturer (OEM). Our two-stage contracting approach allows collaboration to explore, challenge and review opportunities and constraints to technology agnostic design and where cost or programme savings are possible.

**Early Contractor Involvement (ECI)**

203. Through RIIO-T2 and into RIIO-GT3, NGT is adopting greater use of ECI. Cross-disciplinary input and early involvement by contractors whether formally (i.e. via two stage contracts) or informally, gives the opportunity to collaborate on options resulting in an increased likelihood of delivering the project objectives on time, to budget and being more sustainable and appropriately future-proofed.

204. A well-thought through design, often requiring more time, effort and investment in the design phase allows for better planning, taking into consideration constructability and ongoing maintenance, minimises the likelihood of changes and or redesigns later in the project, avoiding additional cost.

205. Covered further in section 3.5.3, this approach benefits delivery efficiency of both Contractors and NGT.

### 3.5.2 Materials

206. We know our plan is made up of a sizable amount of long lead-time items[6] (which varies depending on project – Valves, Compressor installation and AGI interventions have a higher proportion than others). This includes critical items such as pipe and valves that are critical to our Asset Health programme.

207. In RIIO-T2 we have experienced delays to supply of long lead-time materials that has impacted on our ability to deliver our plans. The on-time delivery of long lead-time materials is key for RIIO-GT3, to avoid creating project delays (section 3.4). We have implemented mitigations and plan further changes ahead of RIIO-GT3 to increase resilience of supply.

**Demand visibility unlocks appropriate Purchasing strategies**

208. Historically NG bought products as needed on a project basis. Learning from RIIO-T2, we are working to determine our RIIO-GT3 materials demand so company-wide purchasing strategies can be developed.

209. For Asset Health projects, we are working with Premtech and our Suppliers to develop a view of required long lead materials and potential annual phasing, informed by the completed site surveys for RIIO-GT3.

[6] Long lead-time items are products that will require a long time to obtain as typically they have a long manufacturing and/or delivery timeline and must be ordered well in advance if required for a project. For NGT this would include Valves, Pipe, Compressors

210. We intend to secure our demand for long lead-time materials through our Stockists. We will work together to optimise the profile of orders, we intend to bulk buy our year one requirements and partial purchases for future years with options to secure slots for manufacture for the remaining volumes. Based on the expected volumes, we have confidence that the market has capacity to supply of the volumes of pipe, valves and other long lead-time items that we require for RIIO-GT3.

211. For major projects we have already commenced our order processes to ensure that long lead-time items will be available when needed. This includes one new compressor order placed, with tenders underway to secure the four additional units. Capacity to supply is not a concern but the current lead times are 21 months and on time delivery is the primary focus to avoid any risk of project overruns and impacts to our outage plans.

### Demand visibility unlocks appropriate Purchasing strategies

**Stakeholder view:**

Our strategy for the start of RIIO-T2 was free-issuing of materials into a design then build type arrangement typically (we were implementing some design & Build arrangements also). This was based upon the fairly consistent market we were working in at the time and the volumes required. We've now seen first hand that a just in time model does not work in the current climate and no longer offers the best value for consumers. We're starting to get ahead of what we need and the best ways to source it.

[redacted], **Construction Business Partner**

### Increasing our us of stocking

212. To reduce our dependency on lead times and logistics, we are adopting stocking as a strategy for resilience. It is our aspiration to stock commonly use products and to adapt standard stocked products for speed.

213. During RIIO-T2 we have taken steps to commence stocking of our most critical long leads, examples include:
- **Pipe:** A £2.5m stock pipe order has been placed and will be stored in [redacted]. This is the first stock order in many years with the last order pre-dating our RIIO-T2 submission.
- **Valves:**
  - **Ball Valves:** Exploring the purchase of valve bodies to industry standard and modifying to NGT specification and project requirements. If feasible, this unlocks more competitive purchasing options and reduces lead-times.
  - **Customer Connections:** Two standard connection designs with standard materials are being developed. Set quantities of materials will then be stocked at [redacted] reducing lead-times from +12 months to a few months for modifications and testing.
- **Flanges:** A joint stock arrangement has been agreed for F1 flanges leveraging volumes across clients with similar demand reducing lead-times from six months to weeks.

### Challenging our specifications

214. NGT has some specifications that may cause supply constraints as only limited suppliers are able and qualified to provide the products that meet those specifications. We are challenging ourselves to align with industry standards and to open up the supply chain, examples include:
- **Actuators:** Assessing the use of variable speed actuators in place of a fixed speed units, this reduces the need for specific speed units and creates the opportunity to stock these items.
- **Pipe:** Meeting the minimum order quantities when purchasing to PIP/1 specification is challenging, NGT is exploring adoption of industry specifications (i.e. ASME[7]) to improve access to small quantity stock.
- As per section 3.5.1, we are exploring standard design opportunities with Premtech to enable stocking of modular product sets, initial opportunities include block valve sites and Pressure Reduction Skids.

[7] American Society of Mechanical Engineers (ASME)

# 3. Supply Chain Resilience

### Collaboration to diversify supply

215. We contract with materials stockists in RIIO-T2. Our Stockists provide access to a range of suppliers from whom we can purchase, providing flexibility and resilience. The Stockist model has been beneficial in RIIO-T2 enabling us to contract directly with one supplier but to purchase from a wide range of suppliers and proactively build our sub-supply chain and respond to challenges. Figure 8 shows an illustration of our line pipe stockist arrangements to illustrate this model.

216. Under this arrangement, we require that our Stockists only purchase from suppliers on our Qualified Vendor Database, this ensures that suppliers of critical products to be installed on our network meet predefined quality standards. Historically, the qualified sub-supply chain has not caused constraints for NGT however this changed during RIIO-T2. Using Valves as an example as mentioned earlier in section 3.3.2 we saw reduction in production of crude steel following the War in Ukraine (Mariupol Steel Plant produced c. 4m tons of crude steel per year) and resultingly project delivery was impacted due to lack of product availability.

[redacted]

217. During RIIO-T2, we mapped our products processes and our sub-supply chain. This provided visibility of our product supply coverage and concerns for supply security. We are working to ensure a minimum of three approved suppliers for all product ranges and we have developed a prioritised sub-supplier expansion plan.

218. Over the past 12 months NG has tackled a number of constraints, two critical examples are:
    - **V/6 ball valves:** Following the loss of two key manufactures only two suppliers were available. Four additional suppliers have now been identified and fully qualified – [redacted]
    - **Coating:** We had three approved coaters and all three experienced quality issues during RIIO-T2 resulting in project delays. Two new Italian coaters [redacted] and two UK facilities [redacted] have been identified and are being qualified. Additional suppliers are being sought and the opportunity to develop internal capability via National Gas Services is being explored.

### Building relationships at all levels of our materials supply chain

219. To address our materials supply challenges we have been working to build strong relationships with our Stockists, listening to their feedback and developing joint action plans to improve supply and mitigate risk.

220. We identified NGT's historic strategies for volume consolidation to a small number of suppliers had impacted suppliers' perspectives on the attractiveness of NGT business. For some suppliers this meant they prepared quotations but regularly not receiving orders. Over time, resulting in receipt of fewer quotes, increasing risk.

221. To address this, we have been working to reinvigorate and build relationships with our sub-supply chain including Mills, Manufacturers, Coating providers, Fabricators and others. These relationships have enabled us to work closer with the parties involved in ensuring long lead items arrive on time and to the right quality.

222. One example of re-invigorating relationships is with valve manufacturer, [redacted] who is qualified to supply valves but had refused to. Through engaging the supplier and gathering their feedback we developed an action plan to resolve the concerns and we are now receiving valves from them, increasing capacity and competition.

### Building new NGT capabilities to manage materials risks

223. Over the past year NGT has introduced two new in-house capabilities to enable better management of materials and proactive risk management. We have:
- Insourced management of stock pipe held at our storage site in [redacted], thus centralising all pipe reservations and stock allocation.
- Introduced an 'Expediting' capability starting with Valves and Pipe, but soon expanding to include our new Compressor Units. Our Expediter is managing orders to achieve product delivery on time.

### Managing Obsolescence

224. Due to the age of our assets, certain parts are difficult to procure. A key consideration for NGT is our Compressor Units that are critical to the operation of the Gas Network. Working with our OEMs[8], c. 300 parts were identified as critical to maintaining <95 percent availability but with limited availability or long lead times.

225. To secure both the strategic spares and a range of obsolete stock. Two approaches were taken:
- A bulk stock was procured direct from the OEMS to be managed by NGT for strategic items
- A partnership was established with [redacted], a specialist in obsolete items and in repairs.

226. This enables us to secure supply of difficult to procure items and gives us the opportunity to explore repair and refurbishment of key parts extending life of our critical assets.

### Appropriate allocation of responsibility and risk

227. NGT has traditionally 'free-issued' select long lead-time items to our Contractors. We are now actively reviewing whether which party is best placed to purchase products using a risk-based approach. When it is appropriate that the Contractor makes the purchases, the risk of materials supply and quality is transferred to the supplier. This is often preferred by Contractors in ECI and Two-Stage Contracting environments.

228. Making this choice consciously with our supply chain can deliver lead time and supply risk benefits and drive value for money where our Contractor have greater buying power.

229. NGT has always considered this for major projects such as Compressor Replacement schemes, however this decision will be reviewed for a wider range of projects. We Will work with our suppliers to review who is best placed to take on the responsibility of material purchases to maximise value for customers (Case Study B).

### 3.5.3 Main Works Contractors

230. Our plan is c. 40 percent larger than in RIIO-T2. This growth combined with significant competition for capable contractors and a volatile macro-economic environment makes contractor capacity a key priority.

231. NGT's strategic intent is to mitigate risk and to increase resilience by positioning itself as 'client of choice'. Being preferred client means suppliers are more likely to choose or prioritise our business.

232. To date NGT has relied heavily upon the skills, capabilities and capacity of a small number of key Main Works Contractors, with 42 percent of our FY24/25 works having been delivered by 20 suppliers.

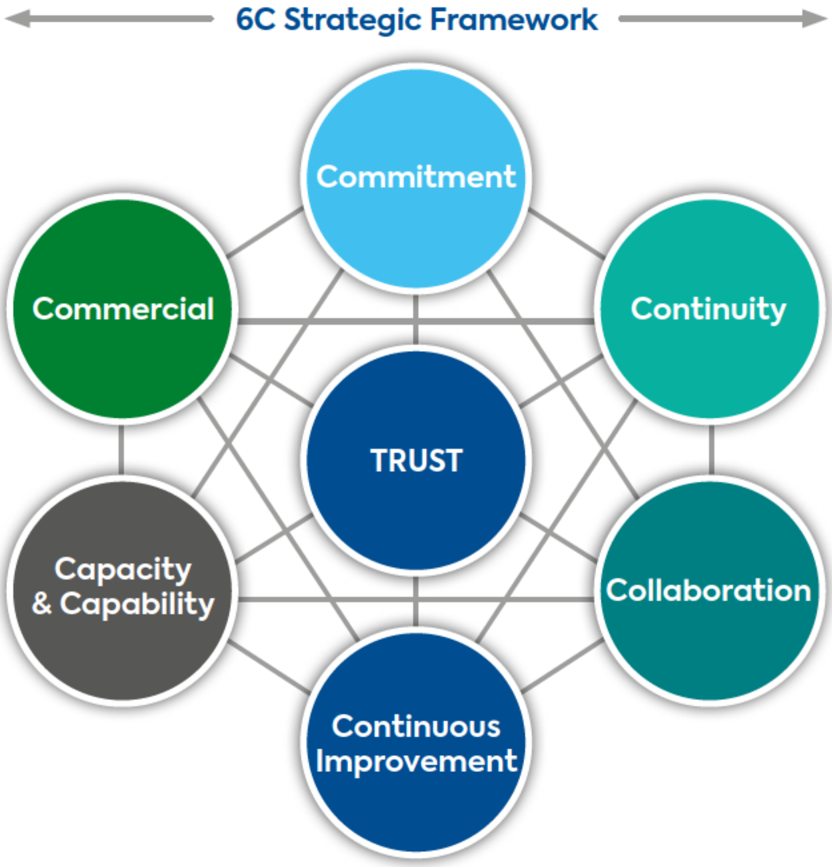
[8] Original Equipment Manufacturer

# 3. Supply Chain Resilience

233. To achieve "customer of choice" status and expand our supply chain we must be attractive in the eyes of suppliers, by being great to work with. This concept is embedded in our strategy that seeks to build strong, mutually beneficial relationships based on trust, reliability and value. This is articulated in the 6C Strategic Framework below which highlights target areas of focus to build trust with suppliers (Figure 9).

234. In this section we set out how we will achieve "client of choice" status, setting out our plans in relation to each of the themes shown in the 6C strategic framework. As this is a key pillar of NG's supply chain strategy, we also provide supporting examples in both Case Study A and Case Study B to illustrate the value delivered through this approach.

Figure 9: **The 6C strategic framework "Becoming Client of Choice". Informed by Efficio Capital Delivery Survey for Utilities Capital Delivery - 45 suppliers surveyed that are involved in various utilities across UK, Efficio 2023**




### Commitment

235. Despite early engagement prior to formal procurement activities, it remains difficult for suppliers to commit to resources, materials, and other readiness without firm commitment. To enable our suppliers to prepare to deliver we need to not only share information but commit. We intend to:
- Develop and commit to work earlier.
- Introduce contracts with commitment in critical areas.
- Increase the use of longer-term contracts.
- Increase use of two stage/multi-stage agreements.
- Publish our pipeline and increase Early Market Engagement (Section 3.6).

236. This earlier commitment improves team working, innovation and improves their long-term demand planning to secure greater value.

237. Case Study A demonstrates how this will be achieved for Asset Health works. A further example of this that will roll from RIIO-T2 into RIIO-GT3, is our [redacted] programme where we have opted to award all RIIO-T2 projects across three partners using multi-stage contracts. This enables the contractors to invest in developing their workforce and securing equipment. This model allows NGT and the Partners to develop the best-value solution. Stage gates are in place at key points in the project development process to ensure we keep both the solutions and costs under review.

238. The below diagram outlines how we plan to award our [redacted] works going forward (which will span into RIIO-GT3). This methodology allows ECI, early visibility and input from the Contractor. It also keeps a level a control with NGT at key stages via the notice to proceed process.

[redacted]

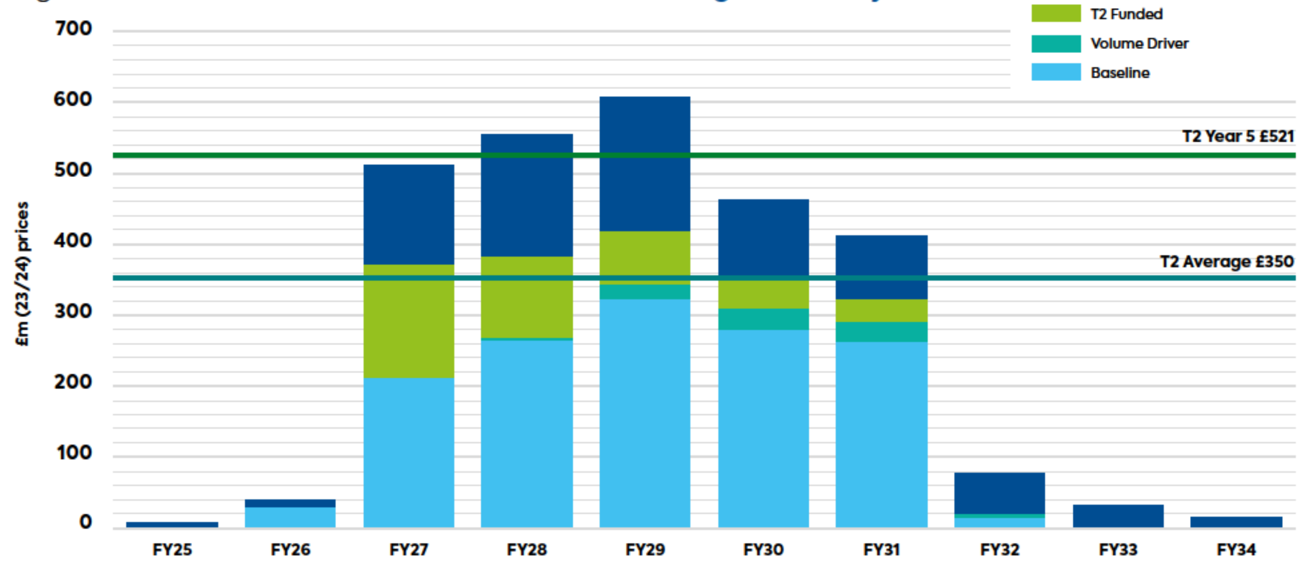
### Continuity

239. Providing a continuous pipeline of work enables better utilisation of resources and productivity that benefits NGT and our supply chain. Our engagement with suppliers has confirmed that visibility of workbook is a top priority to enable effective workforce planning. We intend to increase Pipeline transparency, detailed in Section 3.6, and increase ECI to enable efficient planning and optimisation of resources. This approach avoids inefficient mobilisation and demobilisation activities and helps our suppliers achieve greater productivity, better serve NGT and ensure that they remain in good financial health.

240. NGT enters the RIIO-GT3 period from its highest delivery year in RIIO-T2, giving confidence that capacity is available (as assessed in our Contractor Capacity assessment). The phasing of RIIO-GT3 work has been reviewed as part of our Deliverability assessments, importantly work is phased to grow and reduce sustainably (Figure 11), without creating artificial peaks in supply and demand and therefore cost.

241. We will work closely with our supply chain to ensure that capacity is maximised and efficient. This will be part of regular supplier meetings providing both parties an opportunity to collaborate on the optimal work plan. Within RIIO-T2 we have examples of our suppliers having teams unexpectedly become available and as a result being able to bring forward NGT work, offering value to both organisations.

Figure 11: **RIIO-T2 into RIIO-GT3 Investment Plan Phasing for Delivery**




### Collaboration

242. A collaborative environment is critical to driving value. Collaboration will be achieved in the following ways:

### Creating a culture of open, transparent and respectful communication

243. Suppliers value clients who are clear on requirements and needs, as well as being open about problems and challenges. Building on our existing approach, regular and ongoing engagement will take place with suppliers to ensure ongoing communication and build and maintain strong relationships. To enable this NGT intends to roll out mandatory training to all staff focused on our supply chain culture. Getting this culture right will be key to enabling collaboration to navigate and prepare for any challenges.

# 3. Supply Chain Resilience

### Increasing early contractor involvement (ECI)

244. The use of ECI enables closer collaboration between NGT and suppliers; leading to increased efficiency of delivery, greater cost certainty, adoption of innovations, value engineering opportunities and better management of risks.

Figure 12: **Two stage contracting**


245. ECI enabled by two-stage contracts, has been applied on recent projects for Asset Health, [redacted] and our Emissions Programme and remains a feature for RIIO-GT3.

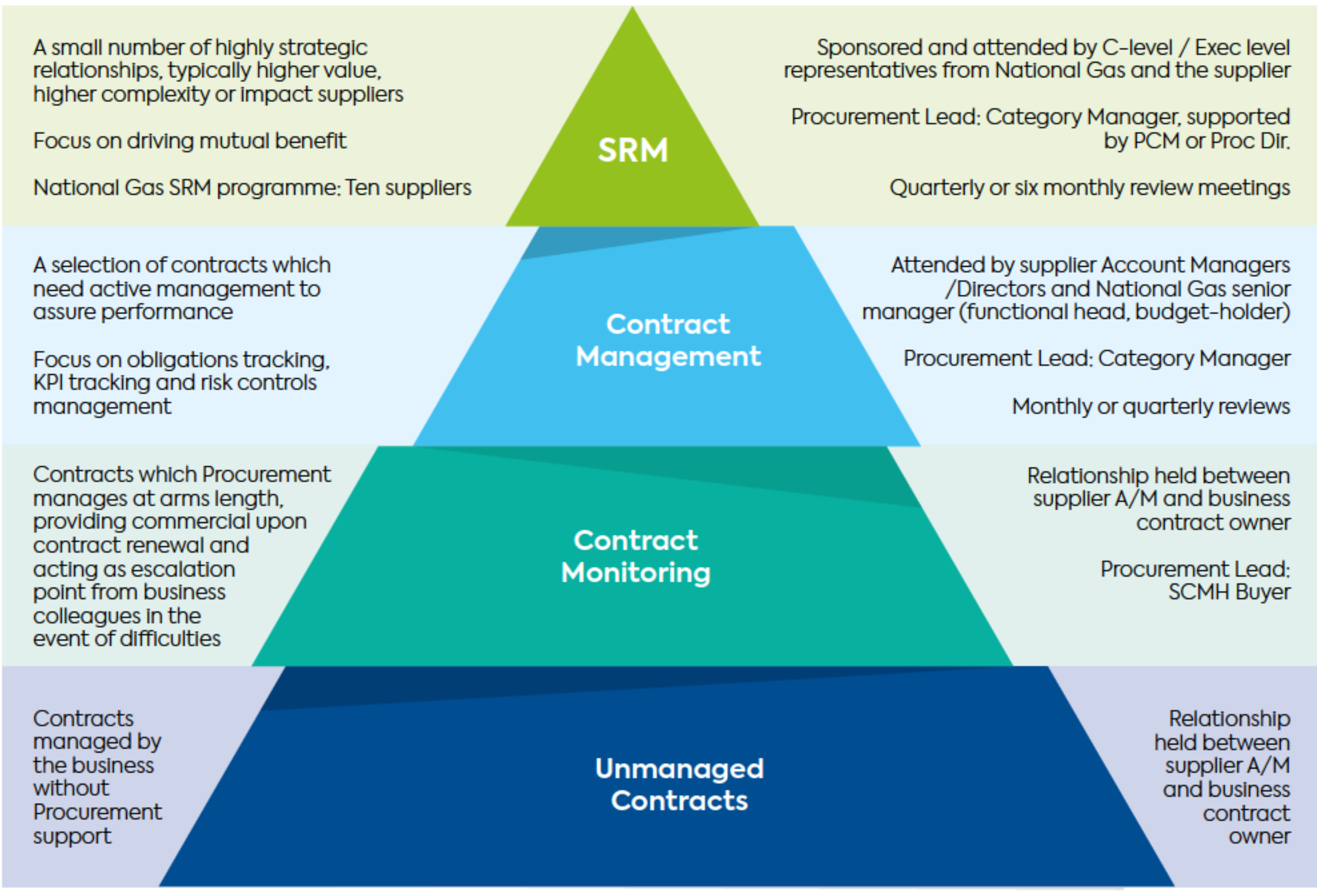
246. Case Study A and B show how this close collaboration and early engagement support the generation of value through this approach.

### Supplier Relationship Management (SRM)

247. NGT has developed an SRM approach which is being piloted for roll out in early FY25 with expansion of the programme into RIIO-GT3. A dedicated SRM Manager will be recruited to focus and develop the programme.

248. SRM is supported by Contract Management activities that will enable engagement and performance management across the supply chain.

Figure 13: **Contract Management at NGT**



249. Figure 13 illustrates how contracts will be managed by NGT. Contracts are defined into different categories indicating how the customer-supplier relationship will be managed. These contracts are managed with regular reviews to ensure delivery against performance metrics, obligations and value delivery.

250. Our programme will see around eight suppliers (covering approximately 29 percent spend of the plan) targeted for involvement in SRM in the first stage. The pilot engagement so far has enabled joint focus on:
- **Training and Skills Growth:** Involvement and support to set up Apprenticeships and training programmes in local areas to reflect NGT's RIIO-GT3 workbook.
- **Growing Supply Chains:** Mutual support to growing local supply chains especially for constrained skills and key sites including 'meet the buyer' events.
- **Supporting Growth:** Exploring what is required to support achieving necessary growth for RIIO-GT3 and opportunities to provide additional services to NGT.
- **Aligning on ESG:** Aligning and combining our ESG goals and initiatives.

251. A key hygiene factor for trusted relationships is performance. Contract management and performance reviews for our key contracts will remain a feature of RIIO-GT3 delivery. Contract monitoring will be establishing for less critical agreements through technology investment, enabling targeted intervention.

252. Continuous improvement will be a key consideration in Category, Sourcing and Contract Management activities. This will be supported through engagement with the BAU Innovation Team and focus on collaboration with key supply chain partners and deepening of relationships (see Innovation Annex).

## Commercial

### Fair and Timely Payment

253. NGT is a reliable client, making payments on time (average 24 days) and in line with our agreed payment terms (97 percent within 60 days[9]) and get limited negative feedback on this. We will continue to ensure suitable payment terms are adopted as standard and demonstrate respect for our mutual businesses and ensure appropriate cash flow for suppliers.

### Reasonable and proportionate Terms and Conditions

254. Our standard terms and conditions were reviewed prior to RIIO-T2 to ensure that they were aligned with market expectations. We have sought feedback on our terms from our suppliers and are evolving them to embed RIIO-T2 lessons learnt, ensure ongoing market alignment and embed RIIO-GT3 commitments. This is key to providing attractive opportunities for suppliers and delivering best value for customers.

### Optimised Risk Allocation

255. We worked closely with our supply chain to consider risk in our projects during RIIO-T2. We aspire to ensure that risks are allocated to the party best placed to manage them rather than seek maximum risk transfer.

256. We have developed a contract risk analysis tool and process that will be applied in RIIO-GT3. This advanced risk management framework was developed as part of the competitive tender for the Western Gas Network (WGN) project. We developed this process working closely with suppliers and engaged with OFGEM to ensure that this approach would deliver value for customers. Below is an outline of the process.

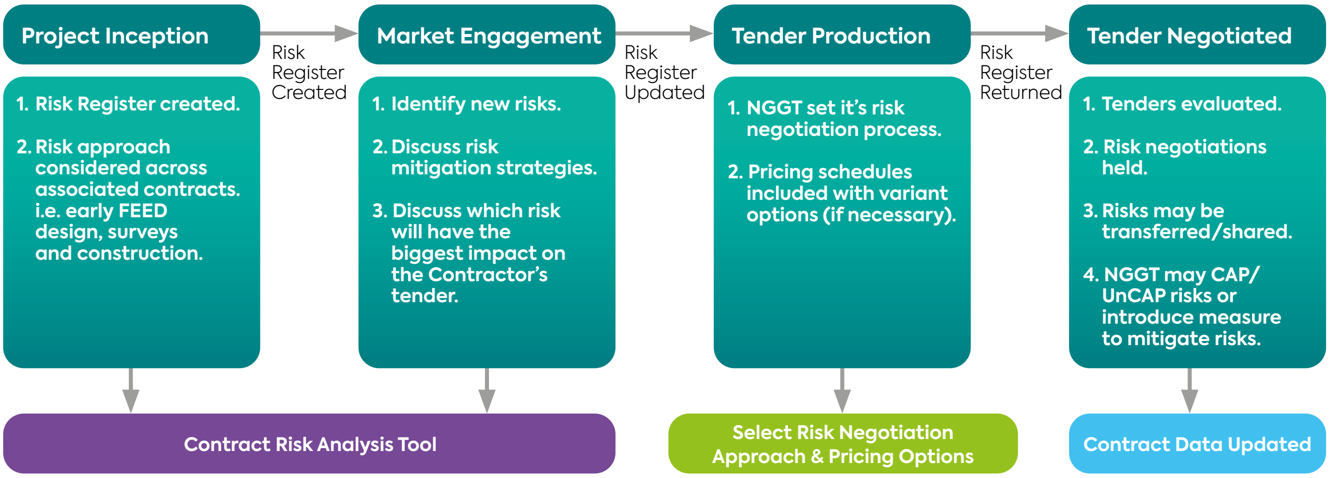
Figure 14: **Risk Process**


[9] NGT Payment Practices Report 01/04/24 – 31/10/24

## 3. Supply Chain Resilience

257. This framework will be used on large capital projects and high-value frameworks where a higher degree of risk control is required. It will ensure the best risk allocation in terms of value for money by doing the following:

Figure 15: **NGT Advance Risk Management Framework**




### Commercial Culture
258. Alongside developing trust with our supply chain, we will retain a culture of being "strong but fair" when it comes to costs and contract management, always seeking to ensure good value is achieved for customers.

### Capacity and Capability
259. To build and maintain trusted partnerships, selecting the right partner for the right work is critical. Using unsuitable suppliers for work often leads to failure. To address this NGT will:
- Identify and develop potential new suppliers suited to upcoming work types
- Diversify the supply chain for Local Supply and Small and Medium Enterprises (SMEs)
- Scope work appropriately avoiding over consolidating to provide access to broader supply base
- Monitoring supplier workload to ensure that we are not over-stretching or over relying on suppliers.

### Identification of potential new suppliers
260. To reduce over reliance on a small number of Contractors and address supply constraints, it is necessary to identify alternative suppliers. A structured approach to identify capable and well-suited future partners is needed, this will be achieved using Category Management (Section 6). Identification and evaluation of potential suppliers has commenced to support our RIIO-GT3 plan.

### Diversifying the supply chain
261. Increasing use of SMEs provides access to skilled and agile workforces that can also support localisation. In RIIO-GT3, NGT will be right-sizing and structuring our process and engagements to increase accessibility for SMEs and local suppliers. By addressing structural, financial and operational barriers to SMEs NGT can create a dynamic, inclusive and resilient supply chain.

262. Examples of barriers for SMEs, are captured below along with mitigations that we can apply as appropriate:

| Examples of Barriers to Entry | Proposed NGT Mitigation |
|---|---|
| Lack of awareness of SMEs and what they can provide. | • Early engagement allowing market analysis, revealing high-quality local SMEs.<br>• Early Market Engagement through multiple channels to reach wider audience (including local knowledge to identify suppliers).<br>• Leverage local industry groups and government to identify potential suppliers Increase involvement of local staff in the identification of suppliers from their area. |
| SMEs lack experience of formal procurements and requirements. | • Simplify and streamline procurement processes to create straight forward, transparent and standardised bidding formats.<br>• Pre-tender briefing covering what is needed, what NGT looks for and seek feedback. |
| SMEs do not have the capacity to bid and compete with large business. | • Offering flexible terms that can suit the scale of SMEs and therefore offer acceptable risk level and cash flow. |
| SMEs may not hold the experience, certifications and standards needed by NGT. | • Support SMEs to understand the necessary industry certifications and provide support for application processes.<br>• Explore supplier networks to develop and train potential suppliers including sub-contractor opportunities through SRM suppliers. |
| Use of SMEs are not embedded in strategy and targets. | • NGT plan to retain targets for SME and create new measures for Local Supply Chain content and supply chain diversity.<br>• Include join targets with our SRM suppliers on diversification and SME. |

263. In RIIO-T2 we have explored options to localise supply at critical locations on our network. A good example of RIIO-T2 success is diversification of Scaffolding services, where three additional suppliers with local bases have been piloted resulting in delivery efficiencies, cost benefits and reduction in emissions.

### Unbunding work to increase resilience and competition

264. Unbundling scopes increases accessibility to SMEs and drives competition. NGT, will seek to proactively identify opportunities for unbundling without compromising the overall quality of delivery, increasing risk or reducing value for customers. This will then shape the procurement and sourcing strategy.

### Monitoring of the Supply Chain

265. We currently use [redacted], a supply chain risk monitoring software to monitor our supply risk. Investment in RIIO-GT3 will provide improved reporting and analysis allowing proactive response to manage risks and issues as they emerge. Digitised monitoring of workload and awarded contracts is aspired to in RIIO-GT3 to ensure that we are not over-stretching suppliers or creating over-reliance. We will be recruiting both a Supply Chain Risk Manager and Sustainability & ESG Manager to drive improvements in data and reporting in these areas.

266. In RIIO-GT3 significant value will be achieved through relationships with critical suppliers, including an increase in two-stage contracting and use of work allocation over traditional tender approaches. Competition will be a powerful tool to reveal the most advantageous solution and drive value through efficient costs, fostering innovation and ensuring project delivery. This section outlines how NGT will utilise competition.

# 3. Supply Chain Resilience

## What informs our approach – the Category Management Methodology (CMM)

267. Category Management is a strategic approach to procurement whereby similar products or services are grouped together and allows organisations to drive value by thinking beyond just negotiating on price. NGT takes a three-stage approach to category management which is illustrated below (Figure 16). The three stages include:
- **Identify:** The forward visibility of requirements and opportunities and develop a plan.
- **Deliver:** A plan for the creation of value and reducing costs is developed based on analysis of internal and external market information and new suppliers are identified and selected (if applicable).
- **Sustain:** Ongoing management of suppliers and their performance to deliver value and prevent the erosion of that value over the life of the contract.

268. The CMM enables identification of opportunities. These are split into Demand and Supply side value levers (Figure 17). Following identification of opportunities, targeted initiatives are scoped and delivered. Where the initiative includes a sourcing activity, the NGT sourcing routes will be adopted. For non-sourcing initiatives (e.g. process or specification change) initiative gateways will be applied. This approach provides structure to the implementation processes associated with driving value as well as building engagement.

269. The work undertaken through the CMM provides critical insights to NGT to inform how best to achieve value – this considers Cost, Resilience, Reliability, Sustainability, Quality, Social Value, and Innovation amongst others. These insights inform the opportunities and initiatives to be taken forward.

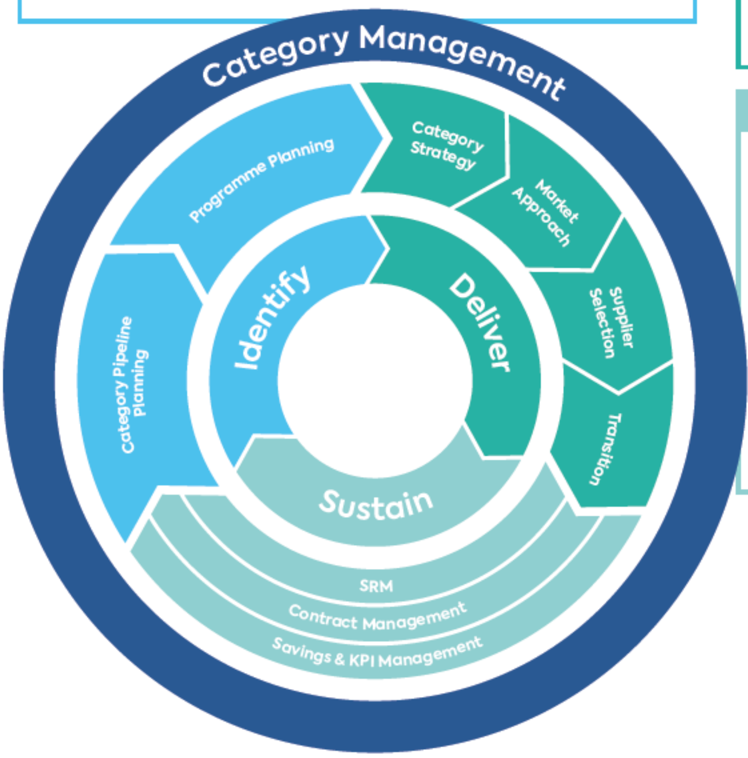
Figure 16: **NGT Category Management Methodology (CMM)**

**1. Identify stage Objectives**

- **Category Pipeline Planning**
  - Capture current and future requirements, challenges and opportunities
  - Quantify and prioritise opportunities
- **High level programme planning and prioritisation**
  - Validate programme objectives, outcomes and requirements
  - Build high level programme delivery plan based on current state analysis and initial market engagement

**2. Delivery stage Objectives**

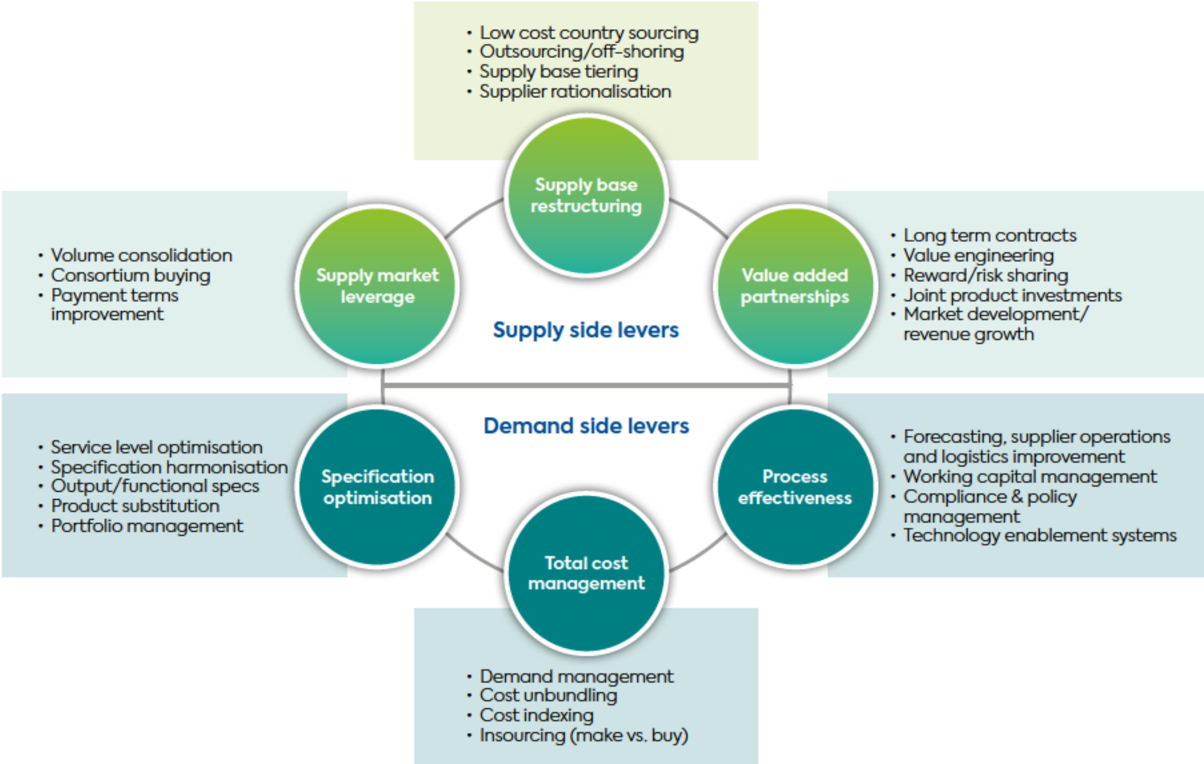
- **Category Strategy** – Includes baselining, market analysis and high level market approach strategy
- **Market Approach** – Outlines the various ways suppliers can be engaged to deliver value whether it is through and RFP, SRM or tactical negotiation
- **Supplier selection** – Details the various negotiation approaches that can be used to derive best value in each category
- **Transition** – Outlines the steps required to successfully implement new plans




**3. Sustain stage Objectives**

- **Contract Management** – Securing contract value. Maintaining contractual compliance and ensuring admin is up-to-date
- **Savings & KPI Management** – Active use of agreed KPIs to track and incentivise performance
- **SRM** – Segmentation of supply base to first determine target group for SRM followed by a programme of work to identify and deliver further benefits from targeted group of suppliers

Figure 17: **NGT Category Management Methodology Value Levers**



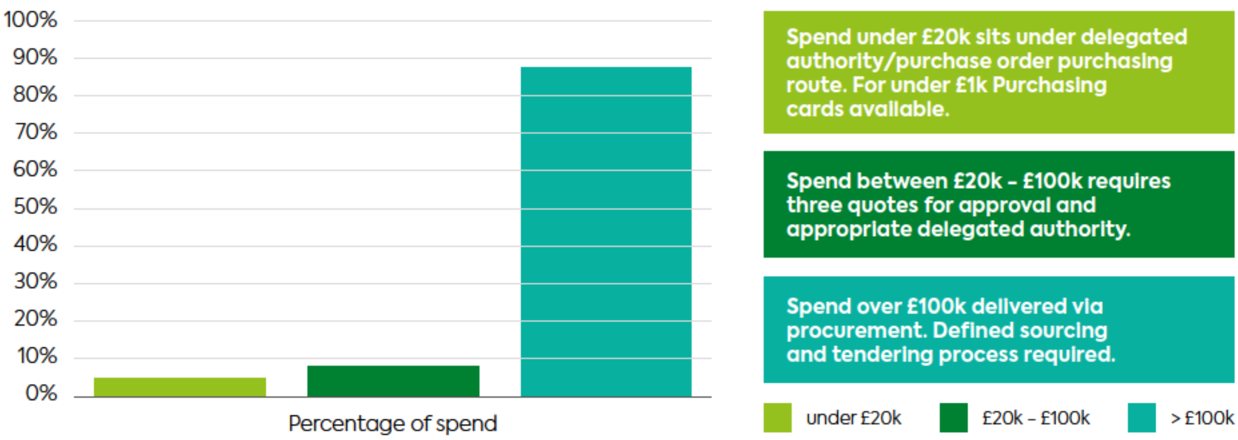

## Fostering Competition

270. Competition can also be fostered in allocation and direct award procurement methods. Some approaches that can could be used include Price Benchmarking, Use of Incentives, Wider Market Engagement, as well as Group Dialogue and Performances-based contracts as in Case Study A. We are adopting these methodologies with the aim to continue them into the next regulatory period. Examples are included in Case Study A and B.

## When would a tender be carried out – the NGT Thresholds

271. Our approach to tendering for RIIO-GT3 remains aligned with existing NGT Procurement Policy structures. NGT operates on a Framework or Contract first basis, meaning we make use of our existing, "live" contracts and suppliers before seeking alternative approaches. The monetary thresholds below ensure proportional assurance and governance but with an eye on keeping things simple to deliver value:

Figure 18: **Spend through Procurement Thresholds**



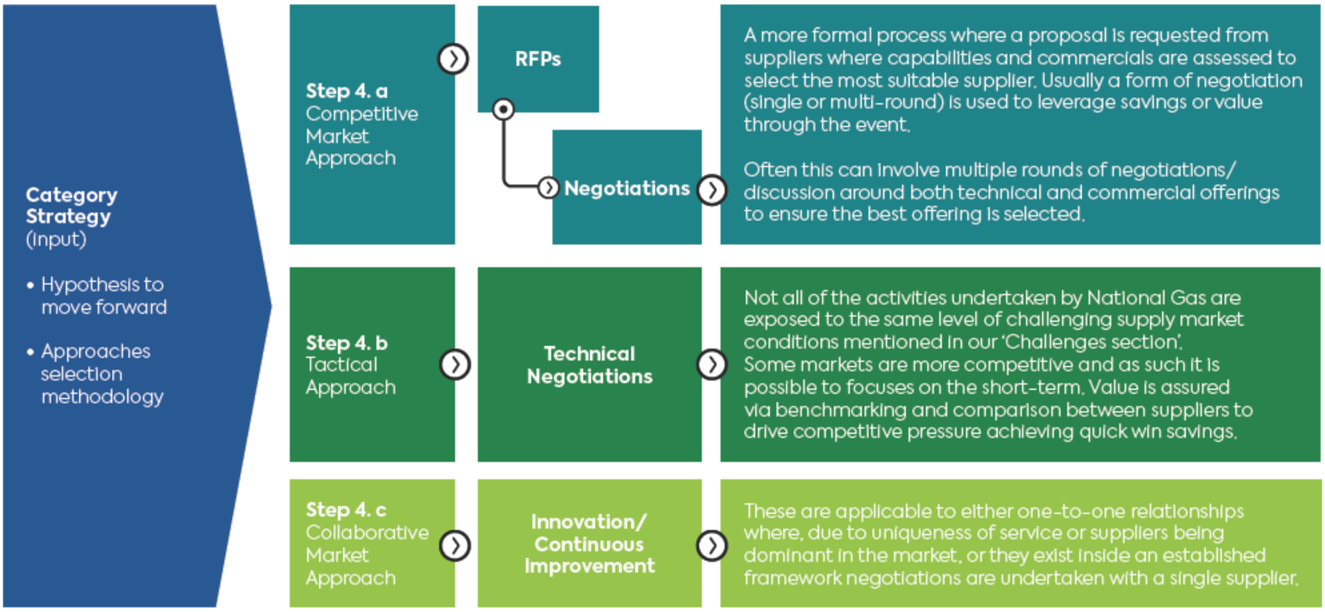

272. A competitive process is expected for purchases over £20k, whilst for all purchases greater than £100k, NGT's category management framework (CMF) and sourcing routes are applied. This is lower than the legal thresholds set by the Utilities Contract Regulations 2016 & the Procurement Act 2023. We choose to do this so that the majority of our spend c. 88 percent passes through Procurement & Supply Chain which ensures a good balance of assurance, control and driving value.

# 3. Supply Chain Resilience

## Features of our Tender Design

273. NGT has three main competitive processes. The most appropriate approach is selected to ensure the best solution is chosen to meet requirements and deliver best value. These options can be adapted by our team to suit the event/requirement as each event has its own bespoke nature.

Figure 19: **Market Approaches**




274. NGT's tender process for RIIO-GT3 will follow similar steps to those taken in RIIO-T2 and are consistent with Procurement best practice. The approach is flexible and can be tailored to drive the best outcomes.

275. In RIIO-T2, we have made good use of this flexibility, especially to aid our IT separation from National Grid and to rapidly test market available solutions that will meet the needs of our smaller business.

276. The Tender process design also allows for collaboration with the supply chain at various points, as highlighted in Figure 20 below. These points allow solutions to be explored, resulting in the most advantageous tender response being selected for contract award.

277. The following will be key features of the tender process above. We will apply these features selectively to tendering activities to identify solutions which best meet our needs, drive collaboration and to deliver value for current and future customers:

**Increased Communication** – From supply chain feedback gathered during RIIO-T2 we know communication throughout the tender process can be improved. We will increase our use of virtual and face to face engagement with suppliers to work through clarifications, to explore solutions and respond to feedback.

**Embedded Collaboration** – In RIIO-GT3, NGT will seek to undertake more collaborative tenders, including workshops during the supplier bid development phases to multi-staged tender submissions. These approaches allow opportunities/solutions to be explored by the supplier and NGT.

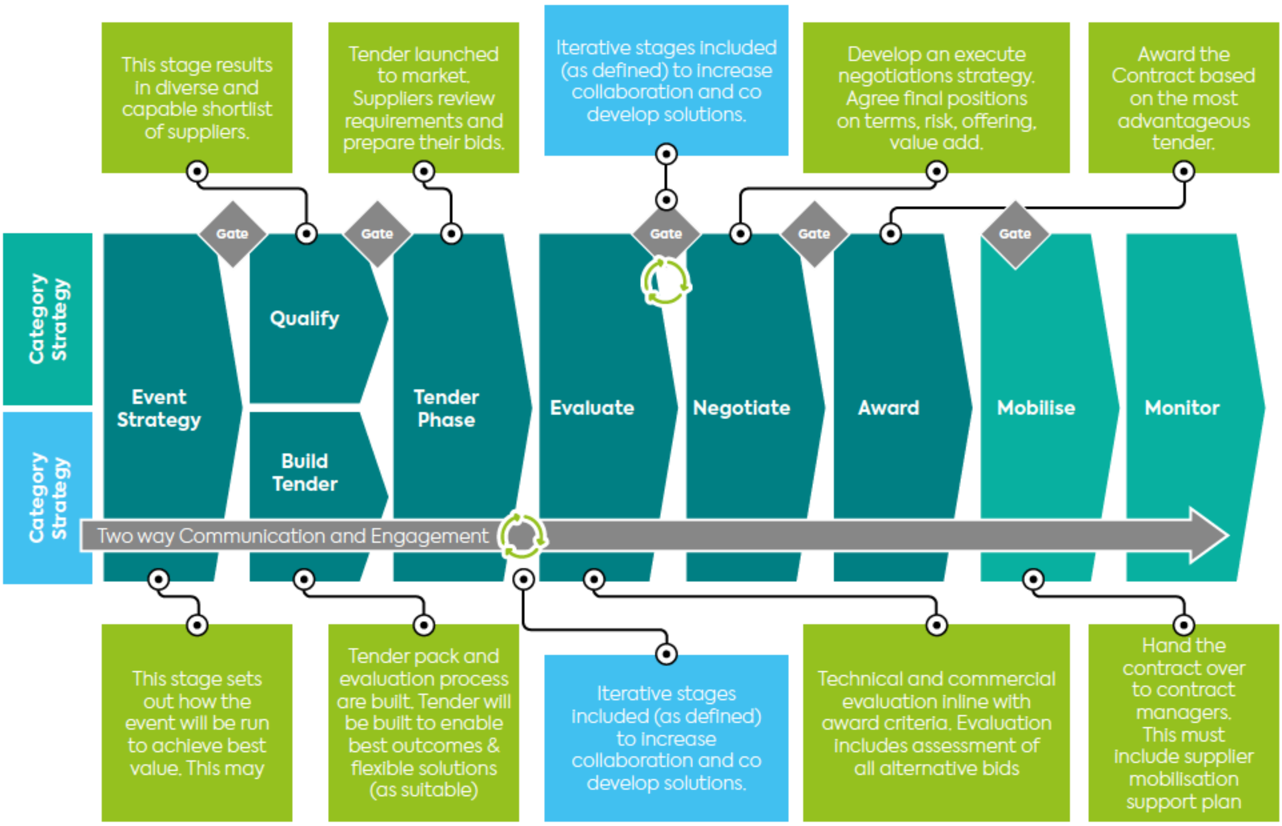
**Selection Criteria** – Will be well defined in all events (aligned to the principals of Most Advantageous Tender under the Procurement Act 2023[10]) with mandatory criteria to be developed for RIIO-GT3 recognising a broader value proposition including the importance of innovation, efficiency and ESG.

**Clarity of Scope** – We aim to ensure clarify as to the mandatory client requirements aiding suppliers in identifying where alternative solutions and approaches can be explored.

**Encouraging Innovative Solutions** – as standard in all tenders NGT will include the opportunity for Suppliers to offer alternative solutions (variant bids) that meet the client's needs but in a more cost effective or innovative way. All options will be assessed against the same set of evaluation criteria.

**Post Tender Feedback** – After the tender feedback will be provided to bidders as required by the Procurement Regulations 2023. Feedback will also be consistently sought from suppliers to ensure that improvements to the design of the tender process can be made through RIIO-GT3.

Figure 20: **NGT Collaborative Tender Approach**




## Transparency is key to successful competition

278. Transparency is important for both clients and contractors to develop trust, drive collaboration and allow for competition. Early engagement and increasing awareness of NGT's workbook promotes the forthcoming procurement opportunities to the current and potential supply chain, allowing them to prepare to respond to the opportunities when they become live. Transparency will be achieved through two key methods.

[10] Procurement Act 2023 – a UK Law that regulates Procurement in the UK

# 3. Supply Chain Resilience

## 3.6 Driving Value Through Competition in RIIO-GT3

### Pipeline Advertising

279. In RIIO-GT3 NGT intends to publicly publish its pipeline of competitive procurement activities. This will inform the market of upcoming opportunities and allow them to prepare for when these will take place. This will increase engagement and participation in tender activity by removing the first barrier, namely visibility of the opportunity.

280. At a minimum the published pipeline will include the below information. It is our aspiration to ensure that we align with the best practice set by the Procurement Act 2023.
   - Project Title and Description.
   - Project Stage.
   - Indicative Value (Between a lower and upper bound).
   - Indicative timeframes (Start and end).
   - UVDB or other relevant industry codes related to the tender.

281. We intend to involve our supply chain to refine and enhance the information that is shared to benefit their ability to respond and bid for work.

282. Through RIIO-T2 we have been improving the visibility for existing suppliers, sharing information on our plan, at increasing levels of detail, through regular forums such as Framework Boards, Workbook Reviews and Senior Leadership engagements.

283. Where known, NGT intends to also share key contact details for events, similar to the approach taken in the oil and gas industries use of [redacted]. This allows prospective suppliers to reach out to express interest and be involved in any Early Market Engagement.

### Increased use of Early Market Engagement or Pre-Market Engagement (EME)

284. Early market or Pre-Market engagement (EME) is important to ensuring the best outcomes are achieved from any market activity. Engaging with potential suppliers before you begin a formal procurement process gives an opportunity for them to inform the specification and to get ready to meet the demand. Our approach to EME will be enhanced for RIIO-GT3 procurements and beyond. Our engagement will be tailored to the scale and value of the project and potential suppliers will be kept informed throughout the process and of next steps.

285. Virtual engagement and advertising using social media has been applied in RIIO-T2 for larger projects. This has included webinars and issuing project briefs to help enable our supply chain partners identify, understand, express interest and plan effectively for involvement in events and subsequent work delivery. These were well received and will continue to feature in our EME plans for RIIO-GT3.

286. Our flexible approach to EME will make NGT's opportunities particularly in removing barriers for small and medium-sized enterprises. It also goes without saying that all EME will be conducted to ensure that no supplier participating in the EME is put at an unfair advantage and that competition is not distorted.

## 3.7 Engagement and Collaboration with Industry to develop Supply Chains

287. Following separation from National Grid we are a smaller organisation. As such we have sought to apply a focused approach to engagement with our supply chain, peers and with industry bodies and working groups. A targeted approach to engagement will continue into RIIO-GT3 so that NGT is able to engage on key topics.

288. We will continue to engage and influence the industry through working with [redacted], Supply Chain Sustainability School and the Energy & Utilities Skills Partnership, supported by involvement in industry and professional groups (i.e. New Engineering Contract, Chartered Institute of Purchasing and Supply).

[redacted]

289. Our team currently attends and participates in a selection of conferences, exhibitions and workshops, to learn about market developments, build professional networks, and connect with new suppliers, industry experts and peers from other market sectors. This will continue.

290. We are engaged with Industry bodies such as Pipeline Industries Guild and IGEM. Through this relationship, we are hosting a future supply chain event early in 2025 focused on the resources for Hydrogen, Carbon and Methane. Invitees include supply chain partners, other utilities, government, industry bodies and OFGEM. The event will develop a 'combined skills and capacity risks and opportunities matrix' with an action plan to support the required growth. Examples such as this we intend to replicate into RIIO-GT3.

291. Engaging with other utilities supports a UK-wide resilient supply chain – Engagement with Gas Distribution and industry peers (i.e. Water, Heating, Carbon, Hydrogen, Electricity) with similar supply chain challenges and requirements allows sharing of good practice, innovation and drives identification of opportunities. Outside the UK, NGT Procurement intends to increase engagement with European Gas Networks to share knowledge and address challenges arising from competition caused by mutual infrastructure investment.

292. We have supported consultation of various government policy positions and shared insights on supply chain effects. In RIIO-T2 we have begun focusing on localisation as a strategy and ahead of RIIO-GT3 we wish to grow our relationships with key stakeholders in target areas (such as [redacted]) to collaborate.

## 3.8 NG Procurement & Supply Chain Team

293. In December 2023 we re-structured our Procurement and Supply Chain (P&SC) function to support a successful conclusion to RIIO-T2, and prepare to deliver a secure and resilient supply chain for RIIO-GT3.

294. Our vision is as follows: "In collaboration with the market and our suppliers, we contribute to a clean energy future for everyone through strategic, commercial and sustainable leadership in all procurement efforts."

295. Our new operating model is designed upon the core principles that we deliver value consistently as trusted business partners within NGT and by becoming "customer of choice" to our suppliers. This is driven by an end-to-end procurement lifecycle approach, with simple processes, a data-led mindset and clear ownership.

Figure 21: **Operating Model**

# 3. Supply Chain Resilience

296. It is anticipated that our operating model will further evolve to ensure we continue to respond to deliver a resilient supply chain including, but not limited to, a 40 percent increase in our investment plan, a strategy that includes increasing the size and diversity of our supply chain, greater use of collaboration through our tender activities and greater engagement and proactive management of our supply chain.

297. The focus must be across all aspects of our three key priorities (set out in Figure 6). It is therefore important to note that in RIIO-GT3 we will continue to focus on 'sustainable leadership' in our procurement efforts. Increasing the monitoring of our supply chain and working in collaboration to achieve our Net Zero aspirations, Social Value Commitments and Environmental Action Plan targets.

298. To deliver what is needed in RIIO-GT3 the evolution of the P&SC function will include:
   - Ongoing development of the new structure to increase capacity to deliver a higher volume of activity.
   - Addition of new specialisms into our capability matrix and introduce dedicated experts for Supply Chain Risk Management, Sustainability (ESG) and Supplier Relationship Management /Supplier Engagement.
   - Refreshing our processes and templates to reflect our RIIO-GT3 strategies through simplification, accessibility and flexibility.
   - Upgrading our technology to drive improvements in data, generation of insights and increasing efficiency within P&SC and NGT.

### Enabling our Procurement & Supply Chain (P&SC) team

299. The way NGT P&SC team are organised and use technology and processes will directly support and improve our success in ensuring long-term ability to deliver the work required to fulfil our obligations.

300. As NGT continues to evolve, it is crucial to invest in the systems and tools that support delivery of our business plan obligations, environmental action plan and strategic objectives efficiently and simply. This is vital to enable successful delivery, supported by efficient compliance, monitoring, and reporting through use of systems, technology and digital solutions.

301. Our proposed technology investments that enable RIIO-GT3 and the value and benefits they will deliver are summarised in the table below:

| Investment ref. | Targeted areas | Outcomes, Benefits and Capability Builds |
|---|---|---|
| IT084: S2P Existing System Efficiency | Procurement Operations, Category Management | Establish Single Core Operational Procurement IT Platform.<br><br>Aim to drive down overall cost-per-transaction by streamlining and automating inefficient and hands-on low value processes. |
| IT 085: S2C New Digital Capability | Supplier Relationship Management, Supplier Performance, Contract Management | Invest in digital contract and tendering capability to improve supplier relationships.<br><br>Enable procurement to have a forward view of key events which will facilitate improved demand planning via link with Enterprise Asset Management output. |
| IT 086: Procurement Policy IT Compliance | System Efficiency, System Agility | Agility to change procurement systems and processes without having impact on procurement performance. |

### 3.9 Conclusion to Supply Chain Resilience

302. RIIO-GT3 is a more ambitious investment plan than has been delivered in prior regulatory periods by NGT. We have been anticipating the workload for RIIO-GT3 and through our experience of the market conditions in RIIO-T2 we have begun preparing to deliver and have laid strong foundations for success.

303. Work will continue between now and the start of RIIO-GT3. In this time we expect to build on the existing foundations, diversifying our supply chain to increase capacity and address supply and capacity constraints. We have tested supplier capacity for RIIO-GT3 and are clear on the areas to be addressed in the coming months.

304. We will progress with updating and embedding new processes for securing our RIIO-GT3 supply chain. Embedding approaches to fostering competition in single supplier environments will be key alongside increasing the flexibility in our tender approaches to enable suppliers to demonstrate the value that they can bring and drive the best outcomes and solutions through well designed competitive market approaches.

305. We have engaged with our supply chain and worked hard to identify the necessary areas of focus for our strategy to ensure that we build a secure and resilient supply chain. Despite a smaller investment plan than other utilities, this strategy is designed so that we can be 'customer of choice' to our supply chain. Visibility, commitment, continuity and trust in our supplier relationships are all as vital as establishing contracts to secure capacity and supply and delivering our RIIO-GT3 plans.

## 4. Overall Conclusion

306. Our workforce and supply chains are critical to everything that we do. Based on the plans and strategic approaches set out in this document, we are confident in our ability to deliver our ambitious workplan for RIIO-GT3 and remain resilient in the face of ongoing challenges around competition in the labour market and global and local supply chain pressures. The initiatives and investments set out in this document are also contributing to the long term resilience of our business.

307. Our plans will support deliverability by:
    - Ensuring we can grow our workforce in line with deliverability needs. We have assessed our workforce needs in each business area, identified risks/challenges, and mitigations.
    - Not only do we need a larger workforce, but we need a workforce with the right skills. We have reviewed and developed our people strategy to ensure that we can recruit the right people, train them effectively and keep them at NGT.
    - We have engaged with our supply chain to identify gaps impacting deliverability. Where we identified gaps we have strategies in place to bridge the gap.
    - Continuing to diversify our supply chain to improve our resilience and reduce reliance on few suppliers.
    - We are building on RIIO-T2 initiatives to improve engagement and collaboration with our supply chain, helping us become a customer of choice for our suppliers and secure more capacity.
    - Finally, while we will continue to use competition for delivering the most advantageous solutions, we will balance the benefits of competitive tension with long-term strategic relationship management, to create a collaborative environment to ensure the long-term sustainability of our supply chains.

# Appendix 1: Case Study A – Asset Health Regional Partnership

1. Our investment plan includes an increase in asset health (Asset Health Pipeline and Asset Health Plant & Equipment and Civils) from £485m to £708m in RIIO-GT3. To deliver this volume of work, supply chain capacity must be secured in a market where there is high demand and a shortage of skilled resources. In RIIO-T2, this challenge of increasing capacity existed but on a smaller scale and was exacerbated following supply disruptions impacting the availability of resources and reliability of material supply all impacting costs.
2. The establishment of the Asset Health Regional Partnership is an example of collaboration with the supply chain during RIIO-T2 to address these challenges, secure delivery and ensure value.
3. At the start of RIIO-T2, NG delivered asset health projects on a design and then build basis with long lead items provided from the client to the supplier in time for works to commence (as aligned with industry practise). NGT entered into a framework with five suppliers at the start of the regulatory period and typically awarded work on the basis of a build only contract with design undertaken through a design house and key materials (Pipes, Valves, Fittings) issued to the supplier from NGT.
4. For the build phase, an annual mini tender process was conducted across the five framework suppliers, typically resulting in work being awarded to suppliers two months prior to mobilisation. This approach was initially manageable but as the market has become more competitive this has resulted in over reliance on a single supplie [redacted] and has not enabled suppliers to invest in increasing capacity. We also saw a trend of limited bids being returned on projects and contractors only providing bids for their favoured bundle/project. To compound this further a continual mini-tender cycle is resource heavy for contractors and in some cases promotes bidding under cost to win works which then creates a highly contentious period of delivery where the contractor is looking to recover cost.
5. The disruption to materials supply chains (As per section 3.2) at the start of RIIO-T2 caused delays to planned work, increased materials costs and exposed NG to risk in the current model. Additionally, demand has increased for skilled resources increasing the risks to costs, performance and potential non-delivery of interventions.
6. NGT worked closely with its five framework suppliers, designers and materials providers to seek feedback on these challenges:
   - Contractors expressed a preference to engage with customers who can commit and give consistency of work, and strong forward visibility.
   - Contractors commonly stated they allocate resources to clients on a "first come first served" basis, therefore acting early is critical for NGT to secure capacity and deliverability of the investment plan.
   - Materials suppliers indicated a need to standardise where possible and expand our reach within the supply chain.
   - Designers supported the need to standardise and for forward visibility of workbook to enable investment in skilled resources.
7. A revised approach was developed that is focused on giving greater visibility of the pipeline of work, enabling suppliers to forecast work volumes and invest building skills and capacity to deliver the volume of work most effectively. The new approach, is an exclusive regional delivery model.
8. Working with the five (5) existing contractors the NG network was divided into four areas and a two (2) year exclusivity of work was given. Three contractors would each be awarded one (1) area each to create the regionalised partnerships. To ensure best value and that the most suitable suppliers was selected for each area a mini tender was conducted. The fourth area (north-west) was used as an incentive for the highest performing partner overall in the tender to create additional competition in year one. For following years the incentive zone will be allocated to the best performing supplier.
9. The tenders for each region were evaluated to ensure the most economically advantageous supplier was selected and to ensure value for money. During the tender process only three (3) tenders chose to bid with two (2) withdrawing, limiting competition. To ensure best value, tendered prices were benchmarked across the three (3) participating suppliers and against historic costs and prices to ensure best value. In creating an attractive proposition to the market, even where we knew there was limited competition, this enabled us to ensure we got the most returns possible. The further incentive of performance in tender, and after tender, allowing more works to be available drove further competition within the event.
10. The two suppliers that did not bid, have opted not to deliver Asset Health work for the remainder of RIIO-T2 for NGT, these suppliers stated that there are high volumes of work available that is more attractive to them.
11. [redacted] Our current in year performance is showing much higher levels of works delivered than previous years due to the model. We've also seen increased cost certainty through early engagement which is beneficial to NGT and consumers.

12. The agreement for the allocated zones will last for two years, with the option of two two-year extensions. For the first year, work was issued as build/delivery only, however, for year two NGT teams will develop work in collaboration with the regional supplier using two stage (ECI) contracts.

13. Additionally, NGT will be releasing a year's worth of work in advance and regularly sharing a future view of pipeline to aid advanced planning of resources and to enable suppliers to invest earlier in resourcing the upcoming workload either through hiring or development of capability. This provides Contractors with early involvement and visibility of work, providing an opportunity to suggest optimisations to work sequencing and constructability and take on design responsibilities therefore minimising change in delivery.

14. In this model two stage ECI contracts will be used. NG will collaborate through the design phase to drive innovation, deliverability and standardisation. The build proposals by all suppliers will be assessed to ensure value for money. This will consider historic costs and the other supplier stage two prices for benchmarking.

15. This approach is supported by an improved performance management suite and incentive programme to drive greater performance and improve the commercial and technical outcomes of the projects. The outcome of Key Performance Indicator performance can change the allocation of the incentive zone with the best performance unlocking access to the incentive zone whilst below standard performance could result in loss of exclusivity and work removal. This creates competition as a key driver for supply chain partners is securing more work in years ahead. NG also have the right to re-allocate work where necessary.

16. Enabling contractors to have commitment from NG and visibility of a continued workbook enables them to invest in their supply chain (Tier 2 and 3), hiring additional resources, developing their staff and supporting local communities. This increases the efficiency of delivery from a cost perspective which filters through to consumers. Since this model was established we have seen our Contractors together with NG begin work to:
    - Establish regional bases and establishing co-location within NGT sites
    - Hold meet the buyer day – bringing local companies into Contractor supply chains
    - Establish Training Academies to build specialist skills such as welding
    - Commence apprenticeships and school connections in their regions
    - Setting up monthly calls to discuss provision of pipeline
    - Collaboration to drive cost efficiencies and innovation (Sharing of best practise, partnership board discussions)

17. These actions and this new model are enabling RIIO-T2 delivery and are setting us up to deliver RIIO-GT3 efficiently. Ultimately this will benefit consumers by ensuring we efficiently meet our obligations and commitments. Reserving capacity early and effectively stops NG having to 'find' extra capacity in a more distressed position.

18. To support this delivery model NG has also sought to address improvements in key enablers - design and materials supply. Improvements include:

19. Securing capacity and building stronger relationships in design, through our acquisition of Premtech. Together we are working on digitisation and design standardisation with a "a repeatable build" focus for future asset health work.

20. V/6 ball valves were a major supply constraint after the loss of two key manufacturers. NG have onboarded four additional V/6 suppliers (Errese, Schuck (re-approval), TIV and Armatury) increasing capacity, improving lead time and commercial leverage.

21. Reviewing of our valve specification to V/6 (an industry standard) to open up more competitive purchasing options, whilst reducing overall lead-times. In parallel we are investigating the purchase of standard V/6 valve bodies that can be customised by Score in the UK reducing lead times. Coating is a current constraint, with only three coaters across the UK (2x) and Italy (1x) and quality issues being experienced. Four new facilities have been identified and are now onboarded to reduce delivery risk. NG is also exploring an internal delivery option.

22. Ordered and received stock pipe that will be held at [redacted].

## Results and Impact

23. In the first year of this new model, with our Contractors we have delivered the highest volume of Asset Health work to date in across both the RIIO-T2 and RIIO-T1 period. This also includes us delivering our longest ever length of pipeline outage in one session. This forward looking approach, has strengthened the relationship between NG and its key contractors, fostering a more collaborative environment, driving value for customers and addressing the challenging supply environment that has evolved since our RIIO-T2 submission.

24. We have seen increased collaborative behaviour between supply chain partners that previously would compete for each piece of work. This has seen increased investment in growing people (rather than poaching from each other), shared innovative practises and improvements, sharing of safety and sustainability best practise. All of this means a net positive impact on the gas sector as parties are working together to improve.

# Appendix 2: Case Study B – St Fergus Terminal Programme Optimisation

1. This case study provides an example of how we have optimised the procurement of a complex programme of work at [redacted], including how we have managed key relationships, driven cost efficiencies in our contracts, and developed our local supply chain and fostered improved competition in the market in future. The project involved installation of pitwall transitions and valves and decommissioning of compressor units.

2. We have been carrying out a complex programme of works at the [redacted] during RIIO-GT2, that will continue into RIIO-GT3, alongside the [redacted], Compressor Enclosure modification and Asset Health interventions, one project on site (Asset Health) has experienced issues with defective actuators, requiring remediation. This is a highly integrated and interdependent set of capital projects with complex challenges arising that require careful sequencing.

3. To add to the delivery challenge, a critical consideration is maintaining availability to the Terminal for use by customers, to ensure that gas can enter the UK Gas Transmission Network. This requires robust planning to avoid causing any gas supply interruptions which is pivotal for security of the UK's energy supply.

4. To deliver the [redacted] Programme we carefully considered the most suitable delivery model. Consideration was given to both our internal structure, designed to coordinate a large programme of works requiring multiple working areas on a site, and the optimal supply chain delivery model.

5. To ensure efficient delivery of these highly integrated and interdependent projects we adjusted our internal delivery model to establish a multidisciplinary team located at [redacted]. The team had end-to-end accountability from design to closure and were empowered to ensure the most efficient approach was adopted for the whole portfolio. This approach meant that the whole programme was centralised under a single "controlling mind" that could optimise decision-making and, enable efficiencies to be identified across the programme. Historically, different teams, typically split by discipline, would have considered each project rather than taking a holistic view.

6. When we came to contract the work [redacted] were already engaged for an actuator replacement programme but were facing delays due to actuator failures creating a risk for both NG and [redacted]. NG could be liable for delay costs, whilst the Supplier may have needed to standdown key resources. The wider works gave an opportunity to mitigate the delay risk. Given the type of works, the complexity of the site and the already inflight activities, the optimal route for delivery was to use the Asset Health Delivery Partnership and leverage our strategic relationship with [redacted] for a significant proportion of the works (i.e. pitwall transitions, valve design and installation, and decommissioning of compressor units), while lower complexity work would be kept separate to be delivered by National Gas Services and smaller mechanical and civil engineering partners, who could deliver in a more agile way to drive value.

7. The early involvement of [redacted] allowed resources from the actuator programme to be retained, ensuring consistency, and preserving expertise while avoiding stranded costs due to delay. This approach created opportunities to optimise the programme through a detailed review of the timelines for each package. Further value was identified by leveraging synergies across the works; sharing the preliminary costs across the work packages, optimising resource allocation, and agreeing an optimal approach to risk allocation.

8. Our approach to risk allocation was driven by understanding acceptable risks that [redacted] could manage, and those that NGT were best placed to hold through open dialogue. Together these initiatives achieved a cost reduction of c. £10m.

9. To avoid over-consolidating with a single contractor, we identified and separated out packages of work that could be awarded to smaller or local contractors, including:
   a. Area painting and CM4 defect remediation
   b. Asbestos mitigation
   c. HV Transformers
   d. Distribution boards

10. Our aim was to foster the development of additional contractors' capacity and capability at the site, which also supports NGT's plans to develop a localised supply chain. This will help to create competition in a constrained market and ensure best value is achieved for customers. These type of value opportunities are openly discussed with our larger contractors who acknowledge our need to expand the market.

### Ensuring Value

11. As [redacted] were the sole supplier for the core works, a cross-functional team—comprising project delivery, commercial, and procurement—conducted a thorough review of the proposals put forward to ensure value for money and drive efficiency. We ensured that cost efficiencies were generated through:
    - **Synergies achieved through Bundling Works:** With [redacted], efficiencies were identified from synergies in preliminary costs, site establishment and resource sharing – including joint use of functional managers, head office personnel and design resources.
    - **Programme Optimisation:** The programme was reviewed along with the allocation of resources. Through optimising delivery and ensuring logical sequencing of activities, resources could be removed from the programme.
    - **Cost Optimisation:** given the ongoing nature of the programme, [redacted] and NG explored options to purchase, rather than lease, plant and equipment to deliver value. As a result, NG directly purchased Bog Mats, achieving cost savings (No contractor fee to pay on these materials/equipment which typically would be an uplift of c. 15 percent).
    - **Benchmarking:** The costs and effort embedded in [redacted]'s proposal were compared to historic activities and recent tenders. The allocation of costs, combined with site-specific knowledge and optimisations, allowed to effectively negotiate lower prices.

12. As the contract with [redacted] was on a fixed-price basis, risk apportionment played a key role in costs. NGT worked with [redacted] to apportion risks, confirming who was best to manage these risks.
    - Risks were allocated to supplier or NGT based on the best apportionment. Additionally, design delay, weather events, time for breakdown/plant maintenance were moved to an early warning register. This allows for the contractor to price the risk that is then paid on occurrence. Inflation was removed as a Contractor risk and apportioned to NGT on an index linked basis, reducing the cost of the project.
    - **Valves Purchases:** The purchase of Valves for issue to the Contractor has been a challenge in RIIO-GT2 (section 3.5.2). Following analysis of the cost benefit and risk exposure the responsibility for purchasing the required valves was transferred to [redacted].

### Fostering Relationships

13. To drive performance, monthly meetings between NG and the partners have been established to review current projects, upcoming projects, performance issues and value opportunities. This is an open forum for NG and Partners to embed lessons learnt (process improvements, safety guidance, efficiencies and specification/policy) and share market knowledge.

14. The Partnership KPIs are applicable and [redacted]'s performance is tracked against them. The KPIs include: safety, people & relationships, cost, forecast management, programme, and sustainability. If performance is below expectation, NGT reserves the right to withhold work. Conversely, strong performance can increase work opportunities through the incentive zone, allocated to the best performing partner creating competition.

### Result and Impact

5. Through this work, NGT was able to:
    - Foster and leverage the relationship with [redacted], who were working on site and had recently been appointed as the Northern partner via the Asset Health Regional Partnership, aiming to drive efficiency while mitigating the risk of delay costs on an inflight project due to product defects.
    - Ensure best value for consumers through robust assessment of the solution proposed. Using historic prices and costs to benchmark, reviewing the contractor's programme, ensuring an appropriate allocation of resources, and bundling work to create cost synergies.
    - Optimise costs and increase collaboration through a balanced risk apportionment, enhancing cost certainty (Section 5.3.3).
    - Introduce new suppliers to [redacted] terminal, expanding capacity and capability for the long term.

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