

NATS (EN ROUTE) PLC SIP: INDEPENDENT REVIEWER REPORT

■
Review of iSIP21

31 August 2021

Final – sent to CAA

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SCOPE OF THE ASSESSMENT

The requirements on the content and scope of the service and investment plans, interim service and investment plans and associated Independent Reviewer assessments have been put forward in Condition 10 Article 9 of the NERL License.

SIP REQUIREMENTS

SCOPE:

The scope of the iSIP as defined by the NERL License: provide an update of the Licensee's investment plans, including its technology and airspace programmes.

PROGRESS:

The documents shall provide an update of the Licensee's delivery of the investment plans, as measured against the capital expenditure programme milestones set out in the Licensee's business plan and as amended to be consistent with the price controls in Conditions 21, 21a and 22.

MATERIAL CHANGES:

The documents shall provide an update of material changes in the Licensee's expectations as to the level and quality of the services it will provide, the means by which the services will be provided, and the likely implications for charges to Users beyond the expiry of the period for which charges are for the time being set pursuant to the Charge Control Conditions. Service and Investment plans shall include such information as is reasonably necessary to achieve this including, but not limited to, material changes in the Licensee's expectations as to its operating practices and resources.

The iSIP is prepared in the context of the Business Plan.

SIP release schedule

- Annual SIP, not later than 31st January;
- Interim SIP not later than 31st July;
- Updates to SIPs 30th April and 31st October.

Responsibilities of the Independent Reviewer

The CAA may appoint an Independent Reviewer to report on the Licensee's delivery of and engagement on its capital expenditure programme. The reports shall:

- a) review the timeliness and accuracy of the Licensee's reporting in its service and investment plans;
- b) assess whether the Licensee has sufficiently explained and justified its capital expenditure programme in its service and investment plans;
- c) assess and propose scores for the Licensee's engagement with Users against the assessment criteria referred in paragraph 8 and the CAA's guidance;
- d) track and assess the Licensee's progress on delivering its capital expenditure programme and achieving the associated benefits; and
- e) report on the cost efficiency of the Licensee's capital expenditure and its implementation.

The scope of this report is limited to points a), b) and d). Point c) will be reported upon separately, and point e) will be addressed on request from the CAA.

ISIP21

Introduction

Overview

- At the end of April 2021, NERL released the SIP21 Addendum, which formalises the baseline CAPEX plan for the remainder of RP3 ending at the end of calendar year 2022. Through a presentation of updated milestones, benefits and costs, the document intends to provide a traceable link to SIP21 addendum by identifying any changes to planned programmes.
- iSIP21 also provides the second quarterly update of 2021. It includes a second iteration of the revised “programme on a page” presentation of programme updates and LTIP quarterly dashboard. This approach was agreed after the IR’s SIP21 review, and provides readers with the key changes to the programme, early on in the document with greater detail in the appendices.
- This approach represents a significant formatting change from SIP21 and, as stated in the IR’s opinion on the first 2021 quarterly update, it has significantly improved the accessibility of the document.

Contents

- In the following sections we provide feedback on the overall appropriateness of the information provided to users for each of the capital investment programme, and then on each programme in turn:
 - DP En-Route & Voice,
 - Airspace & Ops Enhancements,
 - Sustainment & Surveillance,
 - Facilities Management,
 - Information Solutions,
 - Simulation Transformation & Sustainment,
 - Oceanic,
 - iTEC collaboration.
- Finally, we present the conclusions and recommendations.

NERL Review

- A draft version of this report was reviewed by NERL during the week commencing Monday 23rd August 2021. NERL did not raise any objections to the points raised in the report.

References in this document, unless otherwise specified, relate to the Final iSIP 2021 document.

The format is: [Page number] or [Page number. Paragraph number]

Eg [20] references page 26 of SIP21 and [26.3] references page 26 paragraph 3 of iSIP21.

ISIP21

High-level comments

- I. iSIP21 represents a continuation of the recent improvements in NERL's (Long Term Investment Plan) LTIP reporting, and builds on the work to improve the accessibility of the quarterly updates. The new format allows readers to identify any changes to the pre-agreed programme costs, scope, milestones and progress of delivery. This format should be retained in future LTIP reporting, to allow readers to easily track the progress of NERL's LTIP programmes through the course of a reference period.
- II. The improved traceability of programme costs, scope, and milestones is complemented by a justification and explanation of any material changes to the programmes. In the majority of cases, if there has been a change to a project's costs/scope/milestones this is accompanied by an explanation of the reasons for this change, how NERL plan to mitigate the impact of this change, and any potential impact on other elements of NERL's LTIP, if applicable.
- III. Some sections of iSIP21 still remain very text dense, due to the very small font used in the report. We appreciate that including 'right' amount of detail is a difficult task, however, in sections such as *"progress since last quarter"*, a more consistent use of bold formatting and bullet point spacing would ensure these sections remain accessible to the reader.
- IV. In line with our recommendations in the SIP21 IR report, Appendix B of iSIP21 provides a detailed mapping of each of the current programme milestones to those of the RP3 revised Business Plan (rBP) produced in 2018. This provides transparency on how the programmes have evolved during the last three years.
- V. Unlike SIP21, iSIP21 provides an explanation of the traffic assumptions used to plan the LTIP programme, and the expected service levels to be provided at these traffic levels: *"up to 75% of 2019 traffic this Summer in line with the Eurocontrol Scenario 1 forecast for 2021"* [7-8]. Given the current uncertainties relating to traffic, NERL are also investigating contingency measures in case of traffic surges in some areas in the network [7.8]. This improved transparency regarding contingency planning is also reflected in the RP3 Capex Costs summary [15 & 25], where a 'low end' and 'high end' is provided. These estimates are based on materialisation of risks and traffic recovery. We believe this satisfies NERL Licence Condition 10, 5(c), which states that the iSIP is required to describe the *"material changes in the Licensee's expectations as to the level and quality of the services it will provide, the means by which the services will be provided, and the likely implications for charges to Users beyond the expiry of the period for which charges are for the time being set pursuant to the Charge Control Conditions."*
- VI. When compared to SIP21, there has been a significant improvement in the discussion of risks in iSIP21, both at a portfolio [26] and programme level [17 – 24]. From comparison with the previous quarterly update, it is clear that the risks are regularly updated, and any changes are highlighted to readers at the start of the iSIP document [3]. Furthermore, the statement of risks are accompanied by an explanation of how NERL plan to mitigate these risks. However, in our opinion, the explanation of the potential impact on the customer of risk materialisation is insufficient in iSIP21.

DP EN-ROUTE & VOICE

As the DP En-Route (ER) & Voice programme is the largest, we have split our analysis across two slides, the first focusing on the [contents of the iSIP in relation to the DP-ER & Voice programme](#), the second providing the IR opinion on the programme.

SIP contents summary

Programme description:

- The high-level DP-ER & Voice programme description is provided on [28]. The slide highlights that the programme will *“provide the fundamental building blocks necessary to complete our technical strategy agreed with customers in RP2”*. The programme will deliver *“the underpinning architecture, networks, support systems and the iTEC FDP for area control and Prestwick upper airspace”*.
- [28] also lists the anticipated high-level benefits of the programme across core KPAs, including resilience, safety, costs, and capabilities.
- The programme risks are provided in detail on [28], these include *“lack of skilled resources”*, *“COVID-19 impacts”*, and *“technical issues during integration and testing”*.

Milestones and timelines:

- The LTIP quarterly dashboard [15] provides the overall status of the DP-ER & Voice programme as “amber”, due to the change in its risk profiles [3.3d].
- The dashboard notes that one of the nine milestones forecasted for completion in the RP3 baseline is not on track, further detail is provided in the Programme Milestones table on [17].
- The progress of the programme is provided in greater detail on [17], which provides the key deliverables achieved in the last quarter, these include *“customer functionality testing”*, *“work to deliver radar plot feeds into the Core Strategic infrastructure”*, and *“provisioning of the operational environment”*.
- [17] provides an overview of the work for the next quarter, this includes the *“Main Voice Engineering trial”* and the *“LOS 1 Shadowing for DP En Route”*.
- Appendix B [37] and [38] provides a mapping of the RP3 rBP costs and milestones to the SIP21 addendum RP3 baseline. [36] notes that the programme has changed its name from D-SESAR in the RP3 rBP *“to properly reflect its scope”*.

Cost information:

- The cost information for the DP-ER and Voice programme is provided at several points throughout iSIP21. [15], [17] and [25] provide a comparison between the SIP21 Addendum RP3 baseline forecasts and the updated forecast provided in the iSIP. The programme is forecast to be £3m below the RP3 Baseline. The reason for this reduction is because there has been a *“reprofiling of Capital external spend to align with agreed supplier delivery milestones”* [17].
- On request of stakeholders, Appendix C provides further explanation of the DP-ER & Voice programme’s evolution from the RP3 revised Business Plan to the post COVID baseline set out in the SIP21 Addendum. [50] highlights that revised probabilistic forecasting generates a £189m base cost, and an increased upper range of £250m.

DP EN-ROUTE & VOICE

As the DP-ER & Voice programme is the largest and with most changes, we split our analysis across multiple slides, the first focusing on the contents of the iSIP in relation to the DP-ER & Voice programme, the second providing the [IR opinion on the programme](#).

IR opinion

Programme Description:

- The updated format of the iSIP21, allows readers to access a range of detail related to the programme description, depending on their familiarity with the NERL LTIP. For example, high-level information on the overall aim of the programme can be found on [28], whereas much greater detail on how the programme has evolved from the original rBP in 2018 can be found in Appendix C. This ensures that key milestone and costing information does not get lost amongst significant blocks of text describing the programme.
- The anticipated benefits and programme risks on [28] are described in a proportionate level of detail to the size of the programme, and are clearly referenced between the LTIP quarterly dashboard [15] and programme overview [17].

Milestones and timeliness:

- [15] and [17] provide a clear indication of the progress of the DP-ER & Voice programme. The use of a traffic light system, however, needs to be consistent across the programmes. It is not clear in iSIP21, how large, for example, a cost increase has to be to result in a change in colour. Furthermore, we recommend that the reason for the change in colour is provided, to make it clear to the reader whether the change is due to increasing costs, delayed milestones, or another reason.
- When comparing the information presented in the quarterly SIP update to the previous quarterly dashboard, there is traceability between the activities included in the look back and look forward. This allows readers to easily track the progress of the programme against the milestones listed below on [17].
- There have been numerous alterations to the scope of sub-programmes and milestone delivery dates in the DP-ER & Voice programme since the RP3 rBP. The milestone mapping on [38], and in Appendix C, provide clarity on the changes in milestones and scope between the rBP and SIP21 addendum. This section will act as a useful resource for users that wish to understand the history of the programme, rather than having to read multiple SIPs.
- [3] notes that the inclusion of Appendix C is in response to a request received post the stakeholder consultation, and that a bilateral meeting has been offered to provide further detail to the recent changes to this programme. We recommend that this call be made available to all stakeholders, and the meeting summary uploaded to the NATS customer portal.

Cost information:

- The cost information provided for this programme is consistent throughout the document, and the reduced forecast for RP3 is clearly justified on [17].
- The clear justification and description of the cost elements of the DP ER & Voice cost bridge [46] is useful to readers, given the lack of clarity provided in SIP21 related to this item.
- This cost bridge should, however, be updated to reflect the revised upper range of the probabilistic forecast of £250m. In our opinion, not updating the cost bridge may be misleading to those users, who place focus on the charts, rather than the detail contained in the text.
- In the first table on [50], there is no need for “New Plan (Post COVID19)” to be duplicated in the merged cell.

AIRSPACE & OPS ENHANCEMENT

SIP contents summary

- [29] provides a description of both the high-level and quantified benefits of the Airspace & Ops enhancements programme, including *“improved environmental performance”, “additional capacity”, and “enhanced connectivity”*.
- As stated on [36], the Airspace programme has now been redefined in the SIP21 Addendum RP3 baseline as the Airspace & Ops enhancements programme, which *“utilises specific elements from the previous (Airspace) programme”*. These Airspace elements have been combined with elements from the Domestic en-route enhancements programme to create the Airspace & Ops enhancements programme in the latest RP3 baseline.
- A detailed description of the programme risks and programme dependencies are provided on [29]. [18] notes that there is *“no material change to the risks or impact to the programme”* since the last quarterly update.
- [15] and [18] provide the overall status of the milestones for completion in RP3. All milestones listed for completion in RP3, and beyond, are on schedule.
- [15], [18] and [25], provide the updated cost forecast for RP3. This updated forecast is £3m greater than the RP3 baseline forecast in the SIP21 Addendum.
- The progress since last quarter, on [18] include key activities such as FRA D1 and FRA D2.1 receiving regulatory approval in May 2021, and the commencement of TBS Pairwise project definition, which are to be continued in the next quarter.

IR opinion

- The Airspace and Ops programme is a good example of the improved traceability in iSIP21. [18] provides a comment regarding the reasons for the *“West Airspace Deployment”* milestone title change, and whether there have been any changes to scope or benefits when compared to the original milestone.
- This is a trend throughout the Airspace & Ops Enhancement programme. For example, justification is provided for the £3m increase in forecasted RP3, which has occurred as a *“result of now including Gatwick TBS and Stansted AMAN into the programme plan/cots and anticipated additional RP3 spend in support of Airspace modernisation”*.
- The progress since last quarter box on [18] notes that NERL *“have had some issues with global supply chain of key components”*. Whilst the text makes it clear that this has been largely mitigated, it notes that there *“is a risk that further delays could have small impact upon delivery”*. We recommend that this risk be added to the programme risks on [29], and further detail be provided on what a ‘small’ delivery impact would involve if this risk materialises.

SUSTAINMENT & SURVEILLANCE

SIP contents summary

- The Sustainment and Surveillance programme represents a merging of two Technical Resilience sub-programmes from the RP3 rBP, namely Centres and Builds Sustainment, and Remote Sites & CNS sustainment [36.5].
- Despite the name change, the objective of the programme remains to *“maintain sufficient investment to deliver a robust and resilient service, operational compliance and cyber resilience”* [30].
- [30] provides the main anticipated benefits of the programme, which centre around a *“reduction in technical service risk and cost, as well as meeting legal and licence obligations through changes including AIRAC updates”*.
- [30] also lists the main programme risks, which include resource constraints, COVID-19 impacts, and other third party delays.
- [15] and [19] provide a view of the programme milestones. All milestones on track for delivery at the time of release of the iSIP.
- [19] summarises the progress since last quarter, which includes the latest major AIRAC update, and delivering a rectifying build at the London en-route centre. The lookahead to next quarter focuses on continuing to provide support to critical business objectives.
- [15] and [19] provide an updated forecast of the RP3 costs. The Total RP3 cost is expected to be £2m below the original baseline cost in the SIP21 Addendum.

IR opinion

- As with the other programmes that have changed name in the new RP3 baseline, this mapping of these changes are well described in the iSIP21, and the high-level aims, benefits and risks are well described throughout the iSIP.
- Despite the milestones currently being on track, [19] notes that two of the milestones are at risk of a revised date in future quarterly updates, alongside a reason for this potential slippage. We would expect to see the overall project status in the LTIP quarterly dashboard to change from “green” to “amber”, if these milestones do slip. Furthermore, we recommend that in future quarterly SIP updates, additional detail be provided on the estimated likelihood and size of a potential slippage, if a similar scenario arises.
- Throughout the iSIP, there is generally explanation of material changes. For the Sustainment and Surveillance programme, however, there is no explanation of why the forecasted costs have reduced by £2m.
- The formatting of the progress since last quarter box needs to be improved because in its current state it is very text dense and inaccessible to the reader. This could easily be rectified by using bold formatting or increasing the spacing between the bullet points by reducing the number of words in the text box.

FACILITIES MANAGEMENT

SIP contents summary

- Facilities Management, was previously part of the Business Resilience programme in the RP3 rBP. The programme is now standalone in the SIP21 addendum RP3 baseline, and aims to “*deliver sustainment of the operational and business systems*” [36].
- Further information on the programme description is provided on [31]. The programme “*supports NATS business through sustainment of our facilities’ critical/essential capability*”.
- [31] also provides the main anticipated benefit of the programme and its risks, which include unforeseen critical asset failure, Covid-19 impacts, unavailable resources and increased supplier costs.
- [15] and [20] provide an overview of the milestones of the FM programme: all milestones are currently on track.
- [20] provides an overview of the progress since last quarter, which includes the commencement of a number of new projects, including the Swanwick BMS phase 3 upgrade, and the Prestwick Fire management System upgrade. The lookahead to next quarter includes the review of a feasibility and options report for the future of Atlantic house, and the awarding of critical sustainment project capital contracts.
- [15] and [20] also provide an updated RP3 cost forecast for the FM programme, which is set to increase by £3m (according to [20]), from £23m to £26m.

IR opinion

- [20] provides a clear description of the potential changes in risks since the last quarterly update. The main element that has changed is a potential increase in delivery time for the Swanwick UPS replacement project following supplier responses.
- The splitting of the original Milestone GDF and Tiree Radome milestone is justified, and the new forecasted completion date is clearly communicated on [20].
- There is also justification of the £3m [according to 20] increase in forecasted costs, which is a result of a need to “accelerate the replacement of chillers” and “cost increases following impacts of the EU exit on supplier costs”.
- There is, however, an inconsistency between the size of this cost increase in the revised forecast provided in iSIP21. On [15] this cost increase is from £23m to £27m, whereas on [20] and [25] this cost increase is from £23m to £26m. We expect this to be corrected in the next quarterly update.

INFORMATION SOLUTIONS

SIP contents summary

- Information solutions was previously part of the Business Resilience programme under the RP3 rBP. However, as communicated on [36], Information Solutions is now a standalone programme in the new RP3 baseline. As with the FM programme, IS will “*continue to deliver sustainment of the operational and business systems*”.
- Additional programme description is provided on [32], alongside the anticipated benefits and programme risks, which include significant cyber event occurrence, resource unavailability, and business demand for investment exceeding the financial envelope.
- The progress since last quarter includes finishing the work to commission several end-of-life platforms, and the commencement of work to replace the end of life STAR programme. [21] also provides a lookahead to next quarter, which includes completion of business network upgrades and continued NR23 planning.
- [15] and [20] provide an overview of the programme milestones, all of which are on track.
- [15] and [20] also provide an updated forecast for RP3, which remains the same as the RP3 baseline forecast provided in the SIP21 addendum (£18m).

IR opinion

- The information provided on the IS programme is proportionate to the monetary value of the programme.
- We expect any changes to the scope, cost, or risks of the programme to be communicated in future quarterly updates.
- Analysis of the previous quarterly SIP updated shows that the activities included in the progress since last quarter and lookahead to next quarter sections are linked, and clearly demonstrate the progress being made in this programme. We expect this to continue in future quarterly updates.

SIMULATION TRANSFORMATION AND SUSTAINMENT

SIP contents summary

- The Simulation Transformation and Sustainment Programme is a relatively new programme for NERL's LTIP, and was first presented in the new RP3 baseline in the SIP21 Addendum.
- The programme will *"deliver changes that contribute to the modernisation of simulation within NERL"* [33].
- As the programme is still in the 'define' phase, there are no specific benefits associated to this programme. Cost efficiency gains are expected, as are benefits associated with increased automation [33].
- The programme risks and milestones are to be identified when the programme reaches the 'identify' phase.
- The progress since last quarter includes seeking external providers to support the programme vision, and the baselining of SIM services. The lookahead to next quarter focuses on moving the programme into the 'identify' stage, and embarking on 'define' phase activities [22].
- [15] and [20] provide an updated cost estimate for RP3 (£1m).

IR opinion

- Due to the Simulation Transformation and Sustainment programme being in the early stages of its development, there is limited material to formulate an IR opinion on the programme reporting at this stage.
- In its current form, the amount of information presented in iSIP21 is proportionate to the size of the programme.

OCEANIC PLAN

SIP contents summary

- The Oceanic programme has been reduced in scope compared to the rBP for RP3, however the objective to *"sustain Oceanic service"* remains the same [30].
- Additional programme description is provided on [34], which notes that the programme *"...is focused on revolutionising the North Atlantic service..."*.
- The benefits of the programme are well defined on [34], and include safety improvements, service delivery enhancements and reduction in oceanic operating costs.
- [34] and [23] highlight that there is an emerging risk where *"early estimates for costs are outside historic expectations"*, this has caused the programme to change from a "green" to an "amber" on the LTIP dashboard [15].
- [15] and [23] provide an overview of the milestones of the oceanic programme. Both milestones are currently on track for completion in the originally forecasted date range.
- [23] provides the progress since last quarter, which has focussed on the removal of oceanic clearances, and key sustainment work. The activity in the next quarter will focus on further joint works and planning for continued removal of oceanic clearances.
- [15] and [23] also provide an updated cost forecast, which has increased from £6m to £7m.

IR opinion

- As with the other smaller programmes in the LTIP portfolio, the amount of information provided in iSIP21 in relation to the Oceanic programme is proportional to its size.
- iSIP21 provides a clear explanation of the changing Oceanic programme risks, and the effect the increased supplier costs will have on the RP3 cost forecast.
- As suggested in the high-level comments in this report, it is recommended that the traffic light colour is provided for the previous quarterly update either in the LTIP dashboard [15] or on the programme overview slide [23]. This will highlight the increased risk of milestone slippage and increase in forecasted costs for this programme.

ITEC COLLABORATION

SIP contents summary

- The iTEC collaboration programme, is a new programme in the LTIP, and was first presented in the SIP21 Addendum RP3 baseline.
- The high-level goals of the programme are listed on [35]. The programme ensures the *"collaboration (between several key ANSPs in Europe and Indra) will develop and deliver the appropriate design and requirements for an iTEC system which is suitable for use in our lower operations, as well as en-route operations"*.
- [35] also provides information on how the improved operational performance and increased cost efficiency will be delivered by this programme.
- No programme risks have been identified at this stage as the programme is still in the 'identify' phase [35].
- The progress since last quarter includes the iTEC board endorsement of *"the ANSP and Indra commitment to start the future iTEC Definition Programme"*, and production of the *"initial roadmap and cost estimate"*
- The lookahead to next quarter on [24] includes activities such as developing the *"NATS Avinor contribution to the iTEC Collaboration OneSky Implementation Roadmap"*.
- [15] and [24] provide an overview of the status of the milestones of the programme, all of which are on track.
- [15] and [24] also provide an updated cost forecast for RP3, which has increased by £2m in comparison to the original RP3 Baseline presented in the SIP21 Addendum.

IR opinion

- Given the iTEC programme is still in the 'define' phase, there is a proportional amount of information provided in iSIP21 in relation to the size and status of the programme. As the programme moves into the 'identify' phase, we expect key risks and benefits to be included in future quarterly updates.
- There is, however, an inconsistency in the updated RP3 cost forecast. On [15] and [24], the CY21 cost (£7m) and the CY22 cost (£6m) are incorrectly sum to an updated forecast of £12m. The RP3 Capex Costs summary table on [25] correctly sums these two values to £13m. In the next quarterly update we expect this inconsistency to be addressed.
- We appreciate that the project is still in the 'define' phase, and the programme requirements are changing, however, to align with the consistency in the rest of the document we would expect a short explanation be provided to accompany the revised cost estimate for this programme.

CONCLUSIONS AND RECOMMENDATIONS

Our primary conclusions and recommendations are presented below. Detailed conclusions for specific programmes are presented in the main text and not repeated here.

Document format

Building on the successes of the revised quarterly update, iSIP21 represents a significant improvement in document format compared to SIP21. The document is far more accessible to readers, and highlights the key cost, milestone and scope information in the opening third of the document. We recommend that NERL ensure blocks of text do not become too dense or graphs too small. This will ensure that key information is not missed by readers who may have limited time to engage with the document.

Programme dashboard

The LTIP quarterly dashboard represents a significant step forward in NERL's LTIP reporting. We recommend that a description for how the traffic light colours are decided upon be provided in future quarterly SIP updates, and ensure this remains consistent across all programmes. We also recommend that the programme colour from the previous quarterly update is provided for each programme. This will allow readers to easily track the progress of the programme between quarterly updates.

Traceability and justification

In its current format, iSIP21 shows good traceability to the previous quarterly update, the SIP21 Addendum, and the RP3 rBP (Appendix B). Furthermore, the majority of changes to programme scope, milestones, and costs are clearly justified. We recommend that this approach remains consistent in future deliverables, to allow readers to track and understand the progress of each of the programmes through the Reference Period.

Level and quality of services

The NERL license requires information to be provided on the level and quality of services that NERL will provide. We appreciate that this is difficult during the COVID-19 pandemic, however, we believe NERL have met this condition in iSIP21.

DP ER & Voice programme

Following a request from NERL's stakeholders, iSIP21 includes a significantly improved section

detailing the evolution DP-ER & Voice programme. This section includes an explanation of each of the elements of the cost bridge. We recommend that the bilateral call that has been offered on this topic is made available to all customers, and the meeting summary and its outcomes are communicated to all customers.

The £10m increase in probabilistic forecast should be better highlighted within the SIP, and an updated cost bridge diagram provided. Given this potential increase in cost is greater than the value of two other LTIP programmes, this would better ensure that the amount of information relating to this cost increase is proportionate to its value.

Risks

The discussion of risks is much improved when compared to SIP21. Where appropriate, risks are updated between quarterly SIPs, and a statement of how NERL plan to mitigate these risks is also provided. We recommend that further detail is provided around the potential impact on the customer if risks materialise.

Consistency of LTIP reporting

Following our comparison of iSIP21 with the RP3 rBP, SIP21 Addendum and the recent SIP Quarterly Update, we find there to be sufficient explanation and no substantive errors relating to traceability between these documents. There are, however, two instances of inconsistent costing information throughout the SIP, we expect this to be rectified in future editions of the SIP.

RP3 nomenclature

Finally, we recommend a clarification of the term "RP3", to avoid confusion with the European Performance and Charging Scheme's RP3, which ends in 2024.

CONTACTS

Nick McFarlane – Senior Advisor

nick.mcfarlane@egis-group.com

www.egis-group.com



Maja Marciniak – Senior Consultant

maja.marciniak@egis-group.com

Henry Ashworth – Consultant

henry.ashworth@egis-group.com

