

To:

Gas Distribution; Gas  
Transmission; Network  
Operators; and  
Stakeholders

Date: 04 April 2024

Dear Company Secretaries and Stakeholders,

**Decision to modify the Regulatory Instructions and Guidance ("RIGs"), the  
Regulatory Reporting Pack ("RRP") and the Price Control Financial Model  
("PCFM") Guidance for RIIO-2**

We<sup>1</sup> are issuing directions under the RIGs and in particular in relation to the following documents for, Gas Distribution and Gas Transmission licensees:

- RIIO-GD2 and RIIO-GT2 RRP data templates
- RIIO-GD2 and RIIO-GT2 RIGs documents
- RIIO-GD2 and RIIO-GT2 PCFM Guidance

We are also issuing directions under Special Condition 8.2 (Annual Iteration Process for the Price Control Financial Model) in relation to the PCFM Guidance for Gas Distribution and Gas Transmission licensees.

Please find enclosed the Directions setting out our changes made pursuant to the relevant Licence Conditions for each sector.

**RIGs and RRP**

The RIGs and RRP, are the principal means by which we collect cost, volume, allowed expenditure and output delivery information from licensees to monitor performance against their RIIO-2 objectives and hold them to account.

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<sup>1</sup> References to 'the Authority', 'GEMA', 'Ofgem', 'we', 'us' and 'our' are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets. Ofgem is the office of the Authority which supports GEMA.

As part of the enclosed Directions, we provide the modified versions of the following documents [clean and marked up versions]:

- RIIO-GD2– Regulatory Instructions and Guidance: Version 1.16;
- RIIO-GD2 PCFM Guidance: Version 1.3;
- RIIO-GD2 Regulatory Reporting template: Version 1.18.;
- RIIO-GT2– Regulatory Instructions and Guidance: Version 2.3 ;
- RIIO-GT2 PCFM Guidance: Version 1.3;
- RIIO-GT2 Regulatory Reporting Template: Version 2.3;

## **Decision**

We have decided to make a number of modifications to the RIGs, RRP and to the PCFM Guidance to align them with the RIIO-2 special licence conditions, the Price Control Financial Model (PCFM) and Price Control Financial Handbook (Handbook), collectively known as the Price Control Financial Instruments (PCFI) and to make minor corrections. These include:

- Making labelling changes and updates to variable values to align the RIGs and PCFM Guidance with the licence, PCFM and Handbook;
- minor snagging changes and corrections to the RRP pack following the recent RIGs consultation; and
- Making consequential updates to the RIGs and PCFM Guidance to clarify the existing reporting requirements of the licensee.

We set out the effect of and the reasons for these modifications below.

## **General updates**

We have included a number of changes and corrections to the RRP pack as well as updates to the RIGs and PCFM guidance to clarify reporting requirements.

The reason for these changes is to align the terminology and calculations within the RIGs and RRP with the RIIO-2 licence and PCFI so that we are able to gather the relevant data required to administer and monitor the RIIO-2 price controls.

**Timeline**

The modifications to the RIGs will take effect on 04 April 2024. For the avoidance of doubt, this means that the data submitted in July 2024 (in respect of the 2023/24 reporting year) will use the RRP and RIGs, as modified.

Yours faithfully,

Nathan Macwhinnie

Deputy Director

Price Control Operations

**Duly authorised on behalf of the Authority**

**Cadent Gas Limited  
Northern Gas Networks Limited  
Scotland Gas Networks plc  
Southern Gas Networks plc  
Wales & West Utilities Limited**

(each one a "Licensee", and together, "the Licensees")

**Direction under paragraph 3 of the Standard Special Condition A40 (Regulatory Instructions and Guidance) ("SSC A40") and paragraph 8.2.19 of Special Condition 8.2 (Annual Iteration Process for the GD2 Price Control Financial Model) of the Gas Transporter Licence (the "Licence") granted to the Licensees under section 7 of the Gas Act 1986 (the "Act").**

**Whereas –**

1. The Licensee holds a Gas Transporter Licence (the "Licence") granted or treated as granted under section 7 of the Gas Act 1986 (the "Act") and is subject to the conditions contained in the Licence.
2. The RIGs are the primary means by which the Authority directs the Licensees to collect and provide information to the Authority, to enable it to administer the Special Conditions of the Licence and, where not referenced in the Licence, the RIIO-GD2 Final Determinations.<sup>2</sup>
3. SSC A40 sets out the process for issuing and modifying the RIGs. In accordance with paragraph 8 of SSC A40, the Authority gave notice to the Licensees on 27 February 2024<sup>3</sup> that it proposed to modify the RIGs.
4. SC 8.2 sets out the process for issuing and amending the PCFM Guidance. In accordance with paragraph 8.2.22 of SC 8 the Authority gave notice to the Licensees on 27 February 2024<sup>4</sup> that it proposed to modify the PCFM Guidance.
5. The Notice required any representations by licensees on the proposals to be made on, or before, 26 March 2024.
6. Prior to the consultation period closing the Authority received four responses. The

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<sup>2</sup><https://www.ofgem.gov.uk/publications-and-updates/riio-2-final-determinations-transmission-and-gas-distribution-network-companies-and-electricity-system-operator>

<sup>3</sup> [Regulatory Reporting Pack and Regulatory Instructions and Guidance - proposed modifications | Ofgem](#)

<sup>4</sup> [Regulatory Reporting Pack and Regulatory Instructions and Guidance - proposed modifications | Ofgem](#)

Authority has considered the representations and has made a number of changes to the RIGs and to the PCFM Guidance proposed as part of the consultation.

7. The modifications refer specifically to information required to be submitted to the Authority on or before 31 July 2024 in relation to:
  - RIIO-GD2– Regulatory Instructions and Guidance: Version 1.16;
  - RIIO-GD2 PCFM Guidance: Version 1.3; and
  - RIIO-GD2 Regulatory Reporting template: Version 1.18.
8. The modifications are summarised in the attached Decision letter and can be seen in the versions of the RIGs and PCFM Guidance documents specified above and published alongside this Direction.

**Now Therefore –**

9. Pursuant to paragraph 3 of SSC A40 of the Licence, the Authority hereby modifies the RIGs; and pursuant to paragraph 8.2.19 of SC 8.2, the Authority hereby modifies the PCFM Guidance in the manner specified in the attached Schedule.
10. The reason for the amendments set out in this Direction is to collect additional information in line with our Final Determinations for RIIO-GD2 and to align the template and guidance with the latest special licence conditions and Price Control Financial Instruments. Further details are contained in the Decision letter attached to this Direction.
11. The modifications will take effect on 04 April 2024.
12. The Licensees must complete and return the reporting pack referred to above as part of the 2023/24 RIGs process.

Nathan Macwhinnie

Deputy Director

Price Control Operations

**Duly authorised on behalf of the Authority**  
**04 April 2024**

**National Gas plc (with respect to its gas transmission network) (the "Licensee")**

**Direction under paragraph 3 of the Standard Special Condition A40 (Regulatory Instructions and Guidance) SSC A40 and Special Condition 8.2 (SC 8.2) (Annual Iteration Process for the GT2 Price Control Financial Model) of the Gas Transporter Licence (the "Licence") granted to the Licensee under section 7 of the Gas Act 1986 (the "Act").**

**Whereas –**

1. The Licensee holds a Gas Transporter Licence (the "Licence") granted or treated as granted under section 7 of the Gas Act 1986 (the "Act") and is subject to the conditions contained in the Licence.
2. The RIGs are the primary means by which the Authority directs the Licensee to collect and provide information to the Authority, to enable it to administer the Special Conditions of the Licence and, where not referenced in the Licence, the RIIO-GT2 Final Determinations.<sup>5</sup>
3. SSC A40 sets out the process for issuing and modifying the RIGs. In accordance with paragraph 8 of SSC A40, the Authority gave notice to the Licensee on 27 February 2024<sup>6</sup> that it proposed to modify the RIGs.
4. SC 8.2 sets out the process for issuing and amending the PCFM Guidance. In accordance with paragraph 8.2.22, the Authority gave notice to the Licensee on 27 February 2024<sup>7</sup> that it proposed to modify the PCFM Guidance.
5. The Notices required any representations by licensees on the proposals to be made on, or before, 26 March 2024.
6. Prior to the consultation period closing the Authority received representations proposing changes and clarifications to the RIGs and PCFM Guidance. The Authority has considered the representations and has made the relevant changes to the RIGs and PCFM Guidance.

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<sup>5</sup>[RIIO-2 Final Determinations for Transmission and Gas Distribution network companies and the Electricity System Operator | Ofgem](#)

<sup>6</sup>[Regulatory Reporting Pack and Regulatory Instructions and Guidance - proposed modifications | Ofgem](#)

<sup>7</sup>[Regulatory Reporting Pack and Regulatory Instructions and Guidance - proposed modifications | Ofgem](#)

7. The modifications refer specifically to information required to be submitted to the Authority on or before 31 July 2024 in relation to:
  - RIIO-GT2– Regulatory Instructions and Guidance: Version 2.3 ;
  - RIIO-GT2 PCFM Guidance: Version 1.3; and
  - RIIO-GT2 Regulatory Reporting Template: Version 2.3.
8. The modifications are summarised in the attached Decision letter and can be seen in the versions of the RIGs documents specified above and published alongside this Direction.

**Now Therefore –**

9. Pursuant to paragraph 3 of SSC A40 of the Licence, the Authority hereby modifies the RIGs; and pursuant to paragraph 8.2.19 of SC 8.2, the Authority hereby modifies the PCFM Guidance in the manner specified in the attached Schedule.
10. The reason for the amendments set out in this Direction is to collect additional information in line with our Final Determinations for RIIO-GT2 and, to align the template and guidance with the latest special licence conditions and Price Control Financial Instruments. Further details are contained in the Decision letter attached to this Direction.
11. The modifications will take effect on 04 April 2024.
12. The Licensee must complete and return the reporting pack referred to above as part of the 2023/24 RIGs process.

Nathan Macwhinnie

Deputy Director

Price Control Operations

**Duly authorised on behalf of the Authority**

**04 April 2024**