

To:

Gas Distribution
Network Operators and
interested Stakeholders

Date: 21 February 2025

Dear Company Secretaries and Stakeholders,

Proposal to modify the Regulatory Instructions and Guidance ("RIGs"), the Regulatory Reporting Pack ("RRP") and the Price Control Financial Model ("PCFM") Guidance for RIIO-GD2¹

Based on the experience of the first three years of the RIIO-GD2 price control, we² have reviewed the reporting requirements and engaged with the Gas Distribution (GD) licensees to seek views on further improvements to the functionality of the RRP and to improve the supporting RIGs and the PCFM Guidance.

We are proposing to amend to amend the RIGs and in particular the following documents for the GD licensees:

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

Please find enclosed the Notice setting out our proposed changes issued pursuant to the to the Gas Transporter Licence Part A, Special Condition A40 (Regulatory Instructions and Guidance)

We propose that if we implement these changes, they will take effect in April 2025³. For the avoidance of doubt, this means that the data to be submitted in July 2025 (in respect of the 2024-25 reporting year) should comply with the RIGs as modified in accordance with our published Decision Notice.

RIGs

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-GD2 objectives and hold them to account.

As part of the enclosed Notice, we provide the following documents with proposed modifications:

- RIIO-GD2 – Regulatory Instructions and Guidance: Version 1.17, and
- RIIO-GD2 – Regulatory Reporting template: Version 1.19.

¹ This is the second gas distribution price control using the Revenue = Incentives + Innovation + Outputs (RIIO) price control model.

² 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.

³ We propose to modify the RIGs by direction on or after 31 March 2025.

Proposed modifications

We are proposing several modifications to the RIGs and RRP. These include:

- changes and corrections to the RRP pack, and
- making consequential updates to the RIGs to clarify the existing reporting requirements.

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

PCFM Guidance

The PCFM Guidance provides licensees with information on how to fill in the inputs in the Revenue sheets of the RRP, which feed into the PCFM and are used in setting the licensees' Allowed Revenues through the Annual Iteration Process (AIP).

As part of the enclosed notice, we provide the document below with proposed modifications:

- RIIO-GD2 PCFM Guidance: Version 1.4

General updates

We have included a few updates and corrections to the RRP pack, RIGs and PCFM Guidance. The updates were identified during discussions with GD licensees to clarify existing reporting requirements.

For further details on changes to the RRP, please refer to the Change Log tab at the front of the pack. For the RIGs, please see the tracked changes within the document.

We welcome representations on our proposed modifications on or before Friday 21 March 2025, and the details for responding are contained in the enclosed Notice.

Yours faithfully,

Nathan Macwhinnie

**Deputy Director
Price Control Operations**

**To: 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")

Notice under Part A of the Standard Special Condition A40 (Regulatory Instructions and Guidance) ("SSC A40") and part E of Special Condition 8.2 (Annual Iteration Process for the GD2 Price Control Financial Model) ("SC 8.2") of the Gas Transporter Licence (the "Licence") granted to the Licensees under section 7 of the Gas Act 1986 (the "Act").

The Gas and Electricity Markets Authority (the "Authority")⁴ hereby gives notice under Part A of SSC A40 and Part E of SC 8.2 as follows:

Proposal to modify the Regulatory Instructions and Guidance (RIGs) and the Price Control Financial Model (PCFM) Guidance

1. The Authority proposes to modify the RIGs under SSC A40 and the PCFM Guidance under SC 8.2 of 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.⁵ Part A of SSC A40 sets out the process for issuing and modifying the RIGs.
3. The PCFM Guidance provides licensees with information on how to fill in the inputs in the Revenue sheets of the RRP, which feed into the PCFM and are used in setting the licensees' Allowed Revenues through the Annual Iteration Process. Part E of SC 8.2 sets out the process for issuing and modifying the PCFM Guidance.
4. In accordance with Part A of SSC A40 and Part E of SC 8.2, the Authority hereby gives notice to the Licensees that it proposes to modify the RIGs in the manner indicated in the documents that can be accessed on its website, published alongside this Notice.
5. The proposed modifications refer specifically to information required to be submitted to the Authority on or before 31 July 2025 in relation to:
 - RIIO-GD2 Regulatory Instructions and Guidance: Version 1.17; and
 - RIIO-GD2 Regulatory Reporting template: Version 1.19.
 - RIIO-GD2 PCFM Guidance: Version 1.4
6. The proposed modifications are summarised below:
 - General amendments to the templates and guidance to correct labelling, calculation and referencing errors;

⁴ The "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Office of Gas and Electricity Markets (Ofgem) supports the Authority in its day to day work.

⁵ <https://www.ofgem.gov.uk/publications-and-updates/riio-2-final-determinations-transmission-and-gas-distribution-network-companies-and-electricity-system-operator>

- Making consequential updates to the RIGs to clarify the existing reporting requirements of the licensee.
 - For consistency, we are revising tab 2.01 Revenue – PCDs of the RRP, with regards to Commercial fleet, to align OTD with the values reported in 5.08 Vehicles.
7. The purpose of the proposed modifications is to correct the reporting template and clarify existing reporting requirements for the licensees. The reasons for and effect of the modifications are described in the cover letter to this Notice.
 8. The Authority proposes that these modifications should take effect in April 2025.
 9. The Licensees must complete and return the reporting pack referred to above as part of the 2024/25 RIGs and AIP process.

Further information

10. The RIIO-2 RRP template, RIIO-2 RIGs and PCFM Guidance documents, published alongside this notice, show the proposed modifications as incorporated.
11. Copies of this Notice and other documents referred to in it are available on the Ofgem website (www.ofgem.gov.uk).
12. Any representations on the proposed modifications must be made on or before 21 March 2025 by email to Christopher.Haworth@ofgem.gov.uk.
13. Our normal practice is to publish responses on our website. We prefer to receive responses in an electronic form for publication on our website. However, if you do not wish for your response to be made public then you should clearly mark your response as “not for publication”.

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Nathan Macwhinnie
Deputy Director
Price Control Operations

Duly authorised on behalf of the Authority
21 February 2025