

To:

Gas Distribution Network
Operators; and
Stakeholders

Date: 28 March 2025

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-GD2

We¹ are issuing directions under the RIGs and in particular in relation to the following documents for, Gas Distribution licensees:

- RIIO-GD2 RRP data templates
- RIIO-GD2 RIGs documents
- RIIO-GD2 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-GD2 objectives and hold them to account.

As part of the enclosed Directions, we provide the modified versions of the following

¹ 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.

documents [clean and marked up versions]:

- RIIO-GD2 Regulatory Instructions and Guidance: Version 1.17;
- RIIO-GD2 PCFM Guidance: Version 1.4;
- RIIO-GD2 Regulatory Reporting template: Version 1.19.;

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-GD2 special licence conditions, the PCFM and Price Control Financial Handbook ("the Handbook"), collectively known as the Price Control Financial Instruments ("the 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, the PCFM and the 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 28 March 2025. For the avoidance of doubt, this means that the data submitted in July 2025 (in respect of the 2024/25 reporting year) will use the RRP and RIGs, as modified.

Yours faithfully,

Pete Wightman

Deputy Director

Network Price Controls

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.²
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 21 February 2025³ 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 21 February 2025⁴ 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, 21 March 2025.
6. Prior to the consultation period closing the Authority received four responses. The 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.

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

³ [Notice proposing modifications to the Regulatory Instructions and Guidance \(RIGs\) RIIO-2 Year 3 for GD | Ofgem](#)

⁴ [Notice proposing modifications to the Regulatory Instructions and Guidance \(RIGs\) RIIO-2 Year 3 for GD | Ofgem](#)

7. The 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;
 - RIIO-GD2 PCFM Guidance: Version 1.4; and
 - RIIO-GD2 Regulatory Reporting template: Version 1.19.
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 28 March 2025.
12. The Licensees must complete and return the reporting pack referred to above as part of the 2024/25 RIGs process.

Pete Wightman

Deputy Director

Network Price Controls

Duly authorised on behalf of the Authority
28 March 2025