

Consultation name: Statutory consultation to modify the Price Control Financial Instruments and licence conditions for electricity and gas distribution and transmission

Issued by: Ofgem

Territorial extent: Great Britain

Response author: SGN

Deadline for responding: 23rd May 2025



By email to: michael.smith@ofgem.gov.uk

23rd May 2025

Statutory consultation to modify the Price Control Financial Instruments and licence conditions for electricity and gas distribution and transmission

Dear Michael,

Thank you for the opportunity to respond to the above consultation. SGN are supportive of modifications that address the evolving needs of the industry, enhance regulatory frameworks, and promote transparency in financial mechanisms.

We have responded to the specific sections relevant to Gas distribution below and have added one further comment on an issue that is relevant to this consultation. Should you have any questions or wish to discuss further, please do not hesitate to contact me at Alexandria.graham@SGN.co.uk

Yours sincerely,

Daniel Brennan
Head of Regulatory Finance

SGN

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Response to specific sections

3. Proposed modification to Special Condition 5.4 Vulnerability and carbon monoxide allowance (VCMt) in the GD licences

SGN considers the proposed amendment to special condition 5.4 to be appropriate. This allows for a clearer understanding of flexibility and collaborations between GDNs.

4. Proposal to Incorporate DRS into the determination of Calculated Revenue in the GD2 PCFM

As stated SGN's response to the consultation for Ofgem's proposal to modify RIGs, RRP and PCFM Guidance_Y4, we have strong concern over changes to the GD2 PCFM regarding DRS at this late stage in the price control. The proposed modifications seem retrospective and are not sufficiently developed or justified.

According to Licence Special Condition 8.1.3, PCFM modifications should improve the model's functionality or clarity without impacting licensees' allowed revenue. Ofgem's proposed changes do not meet these criteria and would directly affect revenue. While Special Condition 8.1.4 allows changes for a "manifest" error, SGN disputes Ofgem's interpretation of DRS, indicating it is a policy issue, not an obvious mistake.

Despite discussions since Stephanie Fernandes' email on 12 September 2024, Ofgem lacks clear understanding of DRS mechanisms and has provided inconsistent guidance. The consultation draft suggests networks could pass through losses for DRS costs, which seems unintended.

SGN recommends forming a dedicated working group with Ofgem and GDNs to develop a consistent approach to DRS, as part of the GD3 framework. This will enable constructive engagement and clearer policy guidelines.

SGN highlights concerns with proposed amendments to Special Condition 9.7 that could disincentivise participation in services and hinder sector innovation. These outcomes conflict with Ofgem's goals of promoting competition and consumer value.

We urge Ofgem to reconsider the proposed PCFM modifications and licence revisions. The current proposals do not meet the criteria under Special Conditions 8.3.1 or 8.1.4 and lack sufficient consultation and engagement, risking regulatory uncertainty. We recommend postponing substantive changes until GD3, with a working group addressing DRS matters transparently.

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Please see the appendix below for networks' collaborative summary of DRS, led by WWU and supported by SGN.

5. Non-variant allowances proposed to be amended in the GD2-PCFM

SGN have previously conveyed in our Annual Iteration Process (AIP) dry run responses our concerns regarding the reconciliation of the non-variant allowance between the RRP and the PCFM. We are appreciative of Ofgem's response on 21 October 2024 which stated that this will be addressed "as part of the next statutory consultation".

When updating the PCFM for the latest updated variant allowances as calculated within the 23/24 RRP, leaving the non-variant as what was set during the previous year PCFM version, we have a ~£5m difference for both Scotland and Southern against the allowances as calculated within the RRP.

We note that within a RIIO-GD2 RIGs development call on the 13th February 2025 it was raised that the Ofgem PCFM finance team would provide an updated reconciliation of figures that were input to the PCFM.

We will continue to engage with Ofgem via email and the GitLab process in resolving these reconciliation issues.

Capitalisation rate for HSE Policy re-opener (Additional comment by SGN)

SGN are in continued discussion with Stephanie Fernandes on the capitalisation rate utilised for the HSE Policy re-opener that was submitted by SGN in September 2024. Currently, the PCFM has incorrectly set the activity as Repex which would incur a 100% capitalisation rate.

Within the Special licence conditions under para 3.17.2 the re-opener funding is available for any HSE policy changes that impact Repex OR Emergency and Repair costs. Our re-opener submission was for the costs relating to the HSE mandate for 12-hour working patterns that will impact our Emergency and Repair cost, this therefore should not be captured as a Repex cost in the HSE Policy re-opener.

As such, there is a requirement for Ofgem to update the Price control financial model (PCFM) to enable the re-opener allowances to be categorised correctly as Direct Opex expenditure, and enable the re-opener to be capitalised under Cap Rate 2.

As per advice from Stephanie Fernandes, we engaged with Neil Guha on the 15th May and explained the issue. We anticipate Neil will communicate the need to update the cost categorisation which will correct the capitalisation issue.

Appendix

Directly Remunerated Services for Gas Distribution

Background

Following a review of the current Directly Remunerated Services (DRS) licence conditions and as an outcome from the RIG's working group dated 13th February 2025, GDNs have been asked by Ofgem to define what should be included based on their interpretation of what DRS is in relation to Gas Distribution Networks (GDNs).

Within the Regulatory Reporting Pack (RRP) submitted annually to Ofgem on the 31st July there are two tables within the pack relating to DRS 2.09 (DRS revenue) and 4.17 (DRS costs). The values reported in these tables are Variable Value inputs into the Price Control Financial Model (PCFM).

Currently GDNs have concerns around the definition of DRS, Ofgem's proposed amendments to the PCFM algebra, and inconsistencies in how each GDNs is applying DRS revenues and costs for RRP purposes.

This document is structured as follow:

Part A looks at the licence to see how it treats DRS revenue and also identifies an inconsistency between the definition of DRS and what is listed as DRS in SpC9.7.

Part B looks at the current items listed as DRS in SpC9.7 and makes suggestions for changes in reporting. It also addresses DRS 1,2 and 3 and notes that these costs and revenues are reported in Totex in the RRP / PCFM with Totex costs and allowances for the activities feeding into the Totex Incentive Mechanism (TIM) and are accounted for in the allowed revenue calculation as part of the PCFM.

Part A – Current licence

DRS not part of calculated revenue

DRS is not part of the calculated revenue in SpC2.1.7 because SpC9.7.2 (that deals with DRS) states “The effect of this condition is that revenue derived by the licensee from the provision of Directly Remunerated Services is excluded from the calculation of Calculated Revenue”.

This is repeated in SpC9.7.4 which states that: “The licensee must exclude revenue derived from Directly Remunerable Services from Calculated Revenue.”

This means that the DRSt term in Rt cannot be positive.

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The PCFM exists to set the revenue that we are allowed to collect from Shippers for the provision of transportation services to Shippers (Supply of Distribution Network Services). , this is a natural monopoly and therefore needs regulating in some way.

Supporting this SpC2.14 defines Recovered Revenue [the below is abbreviated]

- a) Conveyance of gas through the Transportation System
- b) Prevention of gas escapes
- c) Relating to acquisition of rights for balancing or constraint management

This defines the services for which we can recover revenue from Shippers and therefore logically the core items making up Calculated Revenue and mirrors the definition of Supply of Distribution Network Services (see definitions table).

Licence definition of DRS

SpC9.7.7 states that DRS are services provided as part of its Licensed Activity but not already remunerated by either Network Charges or returned royalty income under SpC7.7.

Network Charges are charges made for services under Licensed Activity which in turn is the administration, maintenance and operation of the Distribution Network or Supply of Distribution Network Services (which are the services provided under SpC2.1.4).

This comes down to DRS being services that are part of its Licensed Activity, (see extract of definitions below) but are ones for which we do not receive Network Charges, which are defined as being charges related to our Licensed Activity. Hence, DRS are services that are part of our Licensed Activity, but that we don't charge for (in full), therefore, the costs are, by definition, going to be higher than the revenue.

DRS1 - connections; DRS2 - alterations under an obligation; DRS3 - works required by an alteration of a premises; are DRS as they fall under administration, maintenance and operation of the Distribution Network and hence form part of Licensed Activities. **However, these activities are already accounted for in the PCFM through Totex and Totex Incentive Mechanism (TIM) whereby 50% of out/under performance is already adjusted from allowed revenue.**

The Transportation Business comprises transportation services to Shippers (Supply of Distribution Network Services) and activities of the licensee connected with the development, administration, maintenance and operation of the Distribution Network such as connections, and alterations. There are other transportation business activity such as those we provide to IGTs or operators of other pipelines. These services are also outside our Licenced Activity (see definition below) and also outside the definition of DRS. **This reveals an inconsistency as some items listed as DRS in SpC9.7 do not meet the definition of DRS.** We provide below an analysis of the individual items listed in SpC9.7 and whether they meet the definition of DRS together with other comments on DRS 1,2,3.

Treatment of other transportation business

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For example, Maintenance of third party owned transportation assets, this is a transportation activity but not on our network.

The cost of any teams used to do this work is taken out of the costs allocated to the Licensed Activity and therefore the customers of the Licensed Activity benefit because they do not have to fund the cost of the team when it is deployed on this other activity. WWU receives revenue from this activity and makes a small profit as compensation for the risk it has incurred in carrying out the activity. As this market is competitive WWU's revenue is determined by the competition in the market. Examples of this type of work are the maintenance of NTS owned customer offtakes, where it was more efficient for the DNs to do this work as the NTS operator did not have the resources to do this activity; and the provision of emergency transportation services to IGTs, for investigations and repairs following a Public Report Escape on an IGT network.

Definitions:

Network Charges means charges made or levied, or to be made or levied, on any person by the licensee for the provision of services as part of its Licensed Activity.

Licensed Activity means the activities of the licensee connected with the development, administration, maintenance and operation of the Distribution Network and with the Supply of Distribution Network Services.

Distribution Network has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation).

Supply Of Distribution Network Services means the undertaking and performance for gain or reward of engagements:

- a) in connection with the conveyance of gas through the Transportation System;
- (b) for the prevention of the escape of gas which has been taken off the Transportation System; and
- (c) relating to the acquisition of capacity rights, gas or gas derivatives for the purpose of:
 - (i) the balancing of the Transportation System through the acquisition or disposal of gas to replace gas lost from the Transportation System; and
 - (ii) facilitating constraint management.

Standard Special Condition A36

permitted purpose means the purpose of all or any of the following:

- (a) the transportation business;
- (b) the metering business;
- (c) the meter reading business;

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(d) any other business or activity within the limits of paragraph 4 of Standard Special Condition A36 (Restriction on Activity and Financial Ring Fencing); and/or without prejudice to the generality of paragraphs (a) to (d), any payment or transaction lawfully made or undertaken by the licensee for a purpose within sub-paragraphs 1(b)(i) to (vii) of Standard Special Condition A39 (Indebtedness)

“distribution network” means a gas distribution network as defined with reference to the aggregate of its constituent local distribution zones (as defined in the Uniform Network Code (“LDZs”)) in accordance with the table set out below:

Distribution Network	LDZ
East of England	East Midlands, Eastern
London	North Thames
North West	North West
West Midlands	West Midlands
Northern	Northern, North East
Scotland	Scotland
Southern	South East, Southern
Wales and West	Wales North, Wales South, South West

“independent system”^[1]

means a pipe-line system in Great Britain to which this licence relates which includes relevant mains and which is not connected (directly or indirectly) by pipes to the main pipe-line

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system of a relevant gas transporter;

“transportation system”

means the facilities to which this licence relates which are used by the licensee for the conveyance of gas within Great Britain;

Part B – Current RRP / PCFM categorisation and proposals for change:-

Tables 2.09 (DRS Revenue) and 4.17 Directly Remunerated Services

GD2 Regulatory Report Pack Wales & West Utilities 2024 2.09 Directly Remunerated Service Revenues

Directly Remunerated Services and De minimis Activities (non-formula income not reported elsewhere)

Directly Remunerated Services

Please provide a list of directly remunerated services for all items greater than or equal to £50k. Any service less than £50k should be grouped and reported under miscellaneous.

		PFR3-GD2				
		2022	2023	2024	2025	2026
Activity Description	Unit					
1 Connection services	£m/10/19 prices	6.30	6.56	5.50	0.00	0.00
2 Observations work under an obligation	£m/10/19 prices	4.91	4.16	2.00	0.00	0.00
3 Work required by any alteration of permit	£m/10/19 prices	1.50	1.70	1.40	0.00	0.00
4 Telecommunications and information technology infrastructure services	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
5 Outage charges (Not applicable)	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
6 Emergency services	£m/10/19 prices	0.00	0.52	0.50	0.00	0.00
7 PARCA activities (Not applicable)	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
8 Independent System Operation	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
9 Network Innovation Funding	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
10 Value added services (Not applicable)	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
11 Top-up, standby, and enhanced system security (Not applicable)	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
12 Pipeline protection services (Not applicable)	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
13 Mowing services (Not applicable)	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
14 Smart meter roll-out rechargeable services (Not applicable)	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
15 Miscellaneous	£m/10/19 prices	0.64	0.70	1.54	0.00	0.00
Total	£m/10/19 prices	13.11	14.05	9.00	0.00	0.00

De Minimis Activities

Please provide a list of De Minimis Activities for all items greater than or equal to £50k. Any services less than £50k should be grouped and reported under miscellaneous.

		PFR3-GD2				
		2022	2023	2024	2025	2026
Activity Description	Unit					
1	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
2	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
3	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
4	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
5	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
6	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
7	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
8	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
9	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
10	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
11	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
12	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
13	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
14	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
15	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
Total	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00

GD2 Regulatory Report Pack Wales & West Utilities 2024 4.17

Please provide a list of services for all items greater than or equal to £50k. Any service less than £50k should be grouped and reported under miscellaneous.

		PFR3-GD2				
		2022	2023	2024	2025	2026
Activity Description	Unit					
1	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
2	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
3	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
4	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
5	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
6	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
7	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
8	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
9	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
10	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
11	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
12	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
13	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
14	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
15	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
Total	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00

Please provide a list of services for all items greater than or equal to £50k. Any service less than £50k should be grouped and reported under miscellaneous.

		PFR3-GD2				
		2022	2023	2024	2025	2026
Activity Description	Unit					
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2	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
3	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
4	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
5	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
6	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
7	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
8	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
9	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
10	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
11	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
12	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
13	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
14	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
15	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
Total	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00

Please provide a list of services for all items greater than or equal to £50k. Any service less than £50k should be grouped and reported under miscellaneous.

		PFR3-GD2				
		2022	2023	2024	2025	2026
Activity Description	Unit					
1	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
2	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
3	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
4	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
5	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
6	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
7	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
8	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
9	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
10	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
11	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
12	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
13	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
14	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
15	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00
Total	£m/10/19 prices	0.00	0.00	0.00	0.00	0.00

Issues in current table

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We list all the Directly Remunerated Services listed in SpC9.7 with comments below.

For most of DRS 1 to 3 the person requesting the work pays for the work and so there is no net cost borne by the Shippers (and final consumers) who pay our transportation charges. In fact, for non-domestic connections where WWU is allowed to make a profit as allowed under there is a net benefit that is shared under the Totex sharing arrangements. In the cases where a net cost is partly borne by Shippers (and final consumers) under the Totex sharing arrangements, for example the Domestic Load Connection Allowance or some alterations where we are not allowed to recover all costs from the party requesting the work, there is an economic benefit to the generality of customers. In the case of the DLCA (which will end on 1st April 2026) this was seen as benefiting the generality of consumers by increase the number of consumers served by the network and made a licence requirement (Standard Condition 4B). In the case of diversions, the benefit is that the alteration is new network replacing existing network and therefore it was reasonable that existing consumers bore some of the cost and this obligation was placed in the New Roads and Streetworks Act.

DRS 1 – Connections Services

“DRS1. Connection services: This category consists of the carrying out of entry and exit connection works (including any necessary reinforcement works or diversionary works) to install, operate, repair, or maintain gas pipes, plant, meters or other equipment necessary to provide any new connection or modify any existing connection to the pipeline system to which this licence relates, (but only to the extent that the service is not already remunerated under one of the charges set out at paragraph 9.7.8)”

GDN response: Connections services are definitionally part of DRS; however, these net costs and revenues are reported within Capex in Totex in the RRP / PCFM and net Totex costs and allowances for the activities feed into the Totex Incentive Mechanism (TIM) and are accounted for in the allowed revenue calculation as part of the PCFM.

DRS 2 – Diversionary works

“DRS2. Diversionary works under an obligation: This category consists of the relocating of any gas pipes or plant (including the carrying out of any associated works) pursuant to any statutory obligation other than one imposed on the licensee under section 9 (Powers and duties of gas transporters) of the Act.”

GDN response: Diversionary works such as rechargeable diversions are definitionally part of DRS ; however, these net costs and revenues are reported within Capex in Totex in the RRP / PCFM and net Totex costs and allowances for the activities feed into the Totex Incentive Mechanism (TIM) and are accounted for in the allowed revenue calculation as part of the PCFM.

DRS 3 – Alteration of services

“DRS3. Works required by any alteration of premises: This category consists of the moving of any gas pipes or plant that forms part of the pipeline system to

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accommodate the extension, redesign, or redevelopment of any premises on which the asset in question is located or to which it is connected.”

GDN response: Alteration of services are definitionally part of DRS should not be part of DRS; however, these net costs and revenues are reported within Capex in Totex in the RRP / PCFM and net Totex costs and allowances for the activities feed into the Totex Incentive Mechanism (TIM) and are accounted for in the allowed revenue calculation as part of the PCFM.

DRS 4 – Telecommunications and information technology infrastructure services

“DRS4. Telecommunications and information technology infrastructure services: (Not applicable)”

GDN response: Remove from DRS as not applicable

DRS 5 - Outage Charges

“DRS5. Outage Charges: (Not applicable)”

GDN response: Remove from DRS as not applicable

DRS6 - Emergency Services

“DRS6. Emergency Services: This category consists of the provision of emergency services under contracts entered into pursuant to the provisions of Standard Special Condition A41 (Emergency Services to or on Behalf of Another Gas Transporter).”

GDN response: This condition refers to a direction being issued by the Authority relating to services provided to another transporter where a major loss of supply has occurred. We have no record of such a direction being issued. We do have agreements with NGT and other DNs that would fall under this condition had such a direction been issued. We also have agreements with IGTs that relate to non-major loss of supply or damages, these would **not** fall under this definition.

We propose to leave this in place noting that there will probably be a nil return.

DRS7. PARCA Activities: (Not applicable)

“PARCA Activities: (Not applicable)”

GDN response: Remove from DRS as not applicable as GDNs do not provide PARCAs

DRS8 - Independent System operation

“DRS8. Independent System operation: This category consists of the operation of Independent Systems, as provided for by Special Condition 6.2 (Gas conveyed to Independent Systems), of the licence applicable to the NTS Operator, on behalf of the NTS Operator”

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GDN response: These independent systems are not part of the Distribution Network (see definitions); however, they are included by the definition of transportation system and so are included in the definition of Supply of Distribution Network Services. Hence, they are included in the definition of Licensed Activities for which we receive Network Charges. The payments from National Gas Transmission are to offset the additional costs incurred this is done as a negative adjustment to Allowed Revenue by the value set out in NTS Special Condition 6.2.

GDN response: Remove from DRS as already dealt with as described.

DRS9 - Network Innovation Funding

“DRS9. Network Innovation Funding: Payments made by the NTS Operator to the licensee in respect of NIC Funding in accordance with Special Condition 7.7 (RIIO-GD1 network innovation competition)”

GDN response: We don't think that this is relevant any longer. Remove.

DRS10 - Value Added Services: (Not applicable)

“DRS10. Value Added Services: (Not applicable)”

GDN response: Some services under miscellaneous could be listed here but we don't see the need for both categories. It is probably easier to delete this and keep miscellaneous.

DRS11 - Top-up, standby, and enhanced system security

“DRS11. Top-up, standby, and enhanced system security: (Not applicable)”

GDN response: Remove.

DRS12 - Revenue protection services: (Not applicable)

“DRS12 - Revenue protection services: (Not applicable)”

GDN response: GDNs already have licence conditions relating to theft of gas so this is part of our core business. Remove from DRS as not applicable

DRS13 - Metering Services

“DRS13. Metering Services: (Not applicable)”

GDN response: Remove from DRS as metering is not DRS as it is metering business activity

DRS14 - Smart Meter Roll-out rechargeable services

“DRS14. Smart Meter Roll-out rechargeable services: (Not applicable)”

GDN response: Remove.

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DRS15 - Miscellaneous

“DRS15. Miscellaneous: This category consists of the provision of any other service (including the provision of gas pipes or plant) that:

- (a) is for the specific benefit of any third party who requests it;
- (b) is not made available by the licensee as a normal part of its Licensed Activities”

GDN response: This will be Licenced Activity (note not activities under permitted purpose) for which we do not receive Network Charges, we could envisage there being services in this area, for example services to Shippers that are bespoke to them (but which are also offered to other Shippers as required by the non-discrimination terms in our licence) that are not UNC obligations. Remain.

In addition our proposal is to remove sections for De-minimus and Consented from the RRP tables as these are not part of Directly Remunerated services.

Both DRS tables should have a consistent table purely for DRS categories only with no materiality threshold (i.e. remove the >£500k narrative and GDNs should report all costs and revenue associated with DRS activities.

GDN consistency of definition in submitted RRP

Across GDN submitted RRP there is a lack of consistency of definition on the application of costs and revenue to the DRS areas. For the 24/25 RRP submission GDNs have agreed to align to a common definition with an explanation within the companies supporting RRP commentary.

Other transportation business activities

As stated above There are other transportation business activities that GDNs provide to other parties that do not fall under the definition of DRS these include:

- Maintenance of third party owned transportation assets
- Emergency services to IGTs (for some transportation assets)

The cost of any teams used to do this work is taken out of the costs allocated to the Licensed Activity and therefore the customers of the Licensed Activity benefit because they do not have to fund the cost of the team when it is deployed on this other activity but which is still actively available to support and achieve licence obligations to benefit customers – therefore customers benefit from the service available but not the cost on their bill. WWU receives revenue from this activity and makes a small profit as compensation for the risk it has incurred. As this market is competitive WWU’s revenue is determined by the competition in the market.

If Ofgem wishes these to be reported for information purposes, new tables are required to avoid these activities being confused with DRS.

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We request that Ofgem do not make any adjustments within the GD2 period due to inconsistent licence condition and instead use the GD3 policy working groups and GD3 licence drafting working groups to ensure within the GD3 period any intentions are appropriately debated.