

Decision

Next steps on our Independent Gas Transporter Review

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Publication of our conclusion and next steps on the Independent Gas Transporter Relative Price Control call for input. We have decided to proceed with a review of the Independent Gas Transporter (IGT) Relative Price Control (RPC) framework to ensure it remains fit for purpose and offers consumers quality of service. The review will focus on key areas including how well the RPC has performed to date, the impact of potential changes to depreciation policy, challenges around cost recovery for disconnections, and the need for improved transparency and reporting. A timeline for this work is also set out in the document.

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1.Introduction

- 1.1 We published a Call for Input (CfI) on the IGTs RPC on 29 January 2025.^{1,2} We signalled our intention to conduct a review of the RPC framework and invited views and inputs from stakeholders on the scope, focus and conduct of a potential review of the RPC. We set out specific questions and sought written responses to those questions.
- 1.2 We are now publishing a summary of the responses to that CfI and our next steps.

Background

- 1.3 IGTs are licensed gas transporters that operate independently from Gas Distribution Networks (GDNs). While the GDNs are regional monopolies, the IGTs offer competition in the 'last mile' of gas transportation, competing on network development costs in order to create operational and maintenance efficiencies. IGT charges and revenues are not subject to the full RIIO price control by which GDNs are regulated. Instead, IGT transportation charges are regulated by the RPC framework. The RPC intends to ensure that the operation of the Great Britain (GB) gas system is efficient, and that consumers would not be worse off because of the introduction of competition. The RPC does this by limiting IGT transportation charges to levels broadly consistent with the equivalent charges of GDNs.
- 1.4 IGT licences establish the RPC framework, setting out the arrangements for determining the gas transportation charges that can be levied on relevant premises. The RPC and relevant licence conditions were last reviewed by Ofgem in 2014. Following this review, we made some minor amendments to the IGT's licence, but the fundamentals of the RPC were maintained for the IGT sector.³

Recent developments relevant to the IGT RPC

- 1.5 Since the last review of the IGT RPC, we have received the following feedback from stakeholders, including representatives of the IGTs. It's within this context that we launched our Call for Input:

¹ References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document to refer to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day-to-day work.

² [Independent Gas Transporters' Relative Price Control – Call for input | Ofgem](#)

³ [Modification to Special Condition 1 of the Independent Gas Transporters' Licence | Ofgem](#)

- a) The annual change in the GDNs' Single Supply Point charges has generally outpaced the 'RPI + annual percentage change' effect on the floor and cap.⁴ This has resulted in IGT charges being unable to keep pace with GDN charges due to the cap. We have been advised that the charges for 67% of supply points on the IGT networks are currently at the cap.
 - b) IGTs' ability to accelerate recovery of historical investment through charging is potentially constrained under the current framework because of the restrictions placed on IGT charges by the RPC cap. Any decision to accelerate depreciation for GDNs, for example, as set out in our July 2025 RIIO-3 Draft Determinations (DDs), may mean IGT's are unable to charge an equivalent amount to recover their sunk costs which threatens their ongoing financeability.⁵
 - c) There is currently no mechanism for IGTs to recover certain disconnection costs when gas consumers on IGT networks approach their Gas Supplier to request a disconnection. IGTs may be unable to levy a disconnection charge in accordance with Standard Condition 4B of the Gas Transporters' Licence and cannot recover the costs from their customer base via transportation charges, due to the capped nature of RPC.
- 1.6 Our view is that it is vital that the price control framework for IGTs continues to protect the current and future consumers, and that any regulation ensures these consumers are receiving fair prices and a high quality of service.
- 1.7 Considering the recent stakeholder feedback relating to IGTs and in order to ensure that the RPC continues to be fit for purpose, we mentioned in the CfI document that it is our intention to initiate a review of the RPC framework. We set out in the CfI document the proposed objective, scope and approach of a potential review. We also set out a list of information and data that we are proposing to collect from IGTs to inform a potential review. We invited stakeholders' response to the following questions:
- a) To what extent do you support a review of the IGT RPC framework?
 - b) To what extent does our proposed review scope meet your expectations?
 - c) To what extent does our proposed approach meet your expectations?

⁴ The SSP charge is a fee that GDNs apply for delivering gas to each of these individual supply points. It is a component of the overall transportation charge.

⁵ [RIIO-3 Draft Determinations for the Gas Distribution, Gas Transmission and Electricity Transmission Sectors | Ofgem](#)

- d) To what extent do you agree that the information and data suggested at paragraph 2.7 (of the CfI document) is reasonable and sufficient for the purposes of the proposed review?
- e) How much of the information and data set out in paragraph 2.7 could reasonably be provided? (only relevant to IGTs)
- f) What lead times are reasonable for the compilation and submission of the information and data set out at paragraph 2.7? (only relevant to IGTs)
- g) Are there any sensitivities around the collection, use and disclosure of the information and data to be requested? (only relevant to IGTs)

1.8 The remainder of this document summarises the responses we received. We then go on to confirm the scope of further work and the timeline we aim to work towards. We have published the non-confidential responses to our CfI alongside this document.

2.Summary of responses

Summary

- 2.1 We received eight responses to our CfI. These responses were submitted by three IGTs, a trade association, two GDNs, one gas shipper and Citizens Advice. Some of these organisations provided responses to our specific questions, while others provided general comments and overall responses. Some responses raised other issues in relation to the regulation and operation of IGTs. We have published the seven non-confidential responses alongside this document.
- 2.2 Broadly speaking, almost all respondents supported a review of the IGT RPC in some form. However, there were different views on what any review should examine.
- 2.3 Responses from the IGT sector noted that the RPC has been protecting consumers by ensuring that those who are on an IGT network are not worse off than those who are on a GDN network and also promoting competition among gas transporters and driving efficiency. They suggested that it is not necessary to review the fundamental principles and mechanism of the RPC and that the review should focus on addressing the recent issues mentioned in paragraph 1.5. IGTs also noted that the current RPC meets the requirements of competition law by ensuring that IGTs earn the same revenue as the equivalent notional downstream business of the GDNs for providing equivalent services. They believe that this allows the IGTs to compete on the same basis as the monopoly provider (ie, the GDNs) and in their view deviation from these principles may be in breach of the competition law and also distort the gas transportation market.
- 2.4 Other responses suggested a different focus and approach for the RPC review. One GDN noted that, given the increasing size of the IGTs, it may be time to consider the revenues that IGTs require to finance their networks rather than tying their charges to GDNs' charges and it may be appropriate to mirror some of the regulatory mechanisms of the RIIIO-3 price control for the GDNs to the IGT price control. Another GDN asked that the review is consistent with Ofgem's core statutory duties and should be undertaken in a way which ensures consistency in decision making and the underlying process. One gas shipper mentioned that the review should ensure the RPC is fit for purpose in supporting the UK's current decarbonisation targets.
- 2.5 Citizens Advice suggested that the review should test how well the RPC has ensured that IGT transportation charges have been limited to levels broadly

consistent with the equivalent charges of GDNs. They noted that the review should also compare the amount and quality of publicly available information published by the IGTs compared to the GDNs, as well as collecting data on essential consumer protection measures, including Priority Services Register (PSR) provisions, compliance with Guaranteed Standards of Performance (GSOPs), overall customer service performance, and the causes of network downtime.

Stakeholder responses to specific questions and our views

Question 1: To what extent do you support a review of the IGT RPC framework?

- 2.6 There were seven responses to this question, all of which supported some kind of review of the IGT RPC.⁶
- 2.7 The four responses from the IGT sector highlighted the need to have limited reform of the RPC that allows IGTs to accelerate the recovery of gas asset investments in line with Ofgem's RIIO-3 SSMD. They noted that without such reform, some IGTs may face financial challenges which may lead to concerns over security of supply of gas and other uncertainties for consumers, and investors will build additional risk costs into IGT funding, which may impact economic growth.
- 2.8 One of these responses also noted that there are future IGT costs associated with gas disconnections which are not congruent with the current framework. This response opposed a wider review of the price control arrangements for IGTs given the need to complete the review by April 2026 to align with the start of RIIO-3 and that they did not believe it is in the consumer interest to entirely unpick a model which has delivered significant growth and investment into the sector and GB.
- 2.9 One IGT noted that the floor and cap mechanism of the existing RPC will prevent IGTs from recovering capital costs and lost revenue associated with increasing gas disconnections and recovering their investment in network assets before the planned end of gas.
- 2.10 One GDN response suggested that IGTs may have had access to higher revenues than they needed as a result of the GDNs' mains replacement programme since 2002 and increased GDN transportation charges. They suggested that the

⁶ One respondent noted that they did not confine themselves to responding to individual questions. For the purpose of this summary, we have identified the views that are relevant to individual questions where appropriate.

interests of existing and future customers are best served by looking at IGT costs and revenues since the introduction of the RPC and not just by looking forwards.

- 2.11 One gas shipper's response noted that there is currently no mechanism in the regulatory framework for IGTs to recover certain gas disconnection costs and it is crucial that GDNs and IGTs are aligned in their approach.

Our view

- 2.12 We agree with the respondents that support a review of IGT RPC and that a review is required to understand the impact of the issues identified both in our CfI and responses.
- 2.13 We note that our position on accelerated depreciation has changed since the CfI stage. As such, we will continue to review the challenges raised by IGTs around depreciation, recognising that their initial feedback was provided prior to the publication of our RIIO-3 Draft and Final Determinations.
- 2.14 We do not think it necessary for the work to be completed by April 2026 given that IGTs will be not update their charges until January 2027 to take account of any changes we decide are necessary. This provides the opportunity for a more considered assessment of how IGT RPC has performed since implementation.
- 2.15 We think there could be merit in exploring what impact GDN programmes such as the iron mains replacement programme may have had on IGT revenues under the cap and floor mechanism. In the example of the iron mains replacement programme, this is particularly so given that we expect IGT networks are typically newer than GDNs and less likely to need replacement. We'll give further consideration as to what this could look like as part of our review.
- 2.16 We agree that we should be cognisant of other work on gas disconnections and discuss this further in paragraphs 3.4 - 3.7. We note however that IGTs are not subject to the RIIO price control and, as such, aspects of that framework may not be applicable.

Question 2: To what extent does our proposed review scope meet your expectations?

- 2.17 There were seven responses to this question.
- 2.18 Four responses from the IGT sector opposed a focus on the actual costs incurred by IGTs in transporting gas to consumers. They considered that it would be inappropriate for the review to focus on IGTs' costs and argued that such a cost-based approach could deviate from competition law principle that competitor

companies (ie, IGTs) must be able to compete on the same basis as the monopoly company (ie, GDNs).

- 2.19 Two of these responses pointed out that some IGTs operate as a multi-utility business with a level of shared services across their different business portfolios, whereas other IGTs may have different operating models. It will therefore be complicated to identify costs which can be compared on a like-for-like basis and will require significant time to achieve. They believed the scope of Ofgem’s review should focus on the aspects of IGT charging arrangements in relation to accelerated recovery of historical investment by GTs and the cap constraint faced by the majority of IGT charges.
- 2.20 Two responses, one GDN and a gas shipper, agreed with our proposed scope. The GDN’s response noted that the key focus of the review should be the cost to IGTs of running their networks efficiently and the revenue they need to do this and finance their business. It should also review activities that IGTs have historically not done but which now given their growth need to be addressed (eg, IGT shrinkage).
- 2.21 Citizens Advice suggested that the review should look at how well the RPC arrangements have ensured that IGT transportation charges have been limited to levels broadly consistent with the equivalent charges of GDNs.
- 2.22 Some responses touched on issues that are not directly related to IGTs’ charges or RPC. For example, three responses, including two from IGTs and one from Citizens Advice, mention that the review may or should look at customer service performance levels of IGTs. The response from a gas shipper recommended a thorough examination of IGT invoicing, including the items that should form part of a transportation charge invoice and how IGT invoices should be delivered and received, as well as a review of IGT new connection Annual Quantities (AQs).

Our view

- 2.23 While responses to the CfI did not provide any evidence to review the fundamentals of RPC at this time, we do not agree with completely excluding the costs faced by IGTs from our review. It would be challenging to make sufficiently robust decisions on changes to the RPC that address some of the concerns raised without a better understanding of the cost to IGTs of running their networks efficiently. Without access to relevant data in key areas such as cost, we risk making regulatory decisions in the absence of information which could undermine our ability to ensure that consumers are receiving value for money from RPC.

- 2.24 We recognise that differences in IGT business models exist, particularly where shared services are used across multi-utility operations which can make cost comparisons more complex. However, we believe these challenges can be managed through a collaborative approach to better understand these issues. We are also keen to work closely with IGTs to develop practical reporting mechanisms that provide the necessary insights. This will help ensure that our review is effective in assessing value for money for consumers.
- 2.25 We agree with the suggestion from Citizens Advice to look at how IGT charges have tracked the GDN equivalent and think this will be a useful insight into how the existing cap and floor has performed. We also agree that it would be useful to examine customer service and other performance levels to understand the quality of service provided by IGTs compared to GDNs.

Question 3: To what extent does our proposed approach meet your expectations?

- 2.26 There were six responses to this question.
- 2.27 One response stated that the proposed approach meets their expectation. One response noted that the challenges of acquiring consistent data when this has not been previously provided should not be underestimated. Two responses supported our intention to conduct the review in a rigorous and appropriate manner with due regard to the impact for current and future consumers, but one of these responses noted that the proposed approach sets out a different direction to their expectations and Ofgem's rationale for a review regarding cost-based analysis.
- 2.28 The two remaining responses did not agree with our proposed approach. One of them noted that this approach is unnecessary and is likely to risk implementation of solutions which can readily be demonstrated to have positive impacts to consumers in the long term with no impact on consumers today. Another response questioned the extent to which IGTs providing Ofgem with detailed cost information in the terms described in the CfI will truly benefit Ofgem's review, especially when balanced against the burden of producing it.

Our view

- 2.29 We agree with the CfI respondents that support a review of the RPC and consider a review conducted in a rigorous and appropriate manner is in the interests of current and future consumers. As stated in 2.23, whilst we do acknowledge some of the concerns from the IGT sector with the implications of including data on IGTs costs within our review we feel this information is important to us as a

responsible regulator to ensure consumers are receiving value for money from the RPC.

Question 4: To what extent do you agree that the information and data suggested at paragraph 2.7 (of the CfI document) is reasonable and sufficient for the purposes of the proposed review?

2.30 There were six responses to this question.

2.31 One response agreed that the information and data suggested at paragraph 2.7 is reasonable and sufficient for the purposes of the proposed review.

2.32 The four responses from the IGT sector generally disagreed that information and data on IGT costs was necessary and reasonable for the purpose of this review, given their views on the appropriate scope and approach of the review. Three of these responses noted that data on IGT revenue and profit will rely on different accounting methods and also vary significantly between regions so it will not provide a useful comparison tool. They also noted that information on market and non-market factors that may influence IGT operations, revenue and profits, such as consumers' behaviours, are highly unpredictable and speculative and will also be influenced by Government policy. They generally agreed that information and data on IGT operations, such as number and type of consumers served by IGT networks and charges for different supply points, was reasonable for the purpose of this review.

2.33 Citizens' Advice's response suggested that data is required to enable comparison between IGT and GDN charges which should be underpinned by supply capacity values on a comparable basis. This response, together with three other responses from the IGT sector, agreed that the review should examine data and information in relation to IGTs' quality of service, which could include data on the causes of network downtime, identifying whether issues stem from the IGT's network or upstream networks, and GSOPs data.

Our view

2.34 We consider it reasonable to include information and data on IGT operations such as the number and type of consumers served by IGT networks, charges for different supply points, and quality of service as part of this review. Ensuring the availability of comparable data between IGTs and GDNs, where appropriate, is important for maintaining high standards of service for gas consumers

2.35 As stated in 2.21, whilst we do acknowledge some of the concerns from the IGT sector of including the data on IGT costs set out in the CfI, our view is that this

information is important to us as regulator to ensure consumers are receiving value for money from the RPC.

Question 5: How much of the information and data set out in paragraph 2.7 could reasonably be provided? (only relevant to IGTs)

2.36 There were four responses to this question.

2.37 They generally suggested that a number of the data sets will not be readily available without significant work to develop a common approach. They also referred to their response to question 4 on why they consider that some of the required information and data are unnecessary for the purpose of the review.

Our view

2.38 As referenced in 2.22 we recognise that differences in IGT business models exist but we will work with the IGTs to ensure that our review is effective in assessing value for money for consumers.

Question 6: What lead times are reasonable for the compilation and submission of the information and data set out at paragraph 2.7? (only relevant to IGTs)

2.39 There were four responses to this question.

2.40 Two responses noted that information relating to IGT networks and consumers as well as outage and complaint data should be relatively straightforward to provide but some of the data (e.g. consumer vulnerability data) is likely only to be available as snapshot rather than over a seven-year historical period as suggested in the CfI document. They mentioned that for data on IGTs' costs and profits, they would need to work closely with Ofgem to clearly understand the requirement and benefit of supplying them in order to provide a timeframe in which it might be able to be provided. Another IGT offered similar views, suggesting that any assessment of the lead times required will depend on the clarification of the specific information requested and any guidance provided by Ofgem regarding alignment of information across all parties, which could lead to a substantial process to restate existing data. One IGT response noted that the collection of the data will take them around six to eight weeks but they are able to provide the information they believe more relevant to inform a targeted review in a shorter lead time of two to four weeks.

Our view

2.41 We have noted the indicative timescales suggested by IGTs and will factor this into further requests for data.

Question 7: Are there any sensitivities around the collection, use and disclosure of the information and data to be requested? (only relevant to IGTs)

- 2.42 There were three responses to this question.
- 2.43 One response noted that some of the data requested, including on vulnerable customers, will need to be treated sensitively and they will identify any confidential items in their final data return. One response noted that certain data requested in the CfI document is commercially sensitive as it directly relates to the level of investment they are willing to make in assets and could potentially reveal their competitive position. One response believed that all the information which has been requested in the CfI document, and all the information which they believe needs to be provided, is commercially sensitive and should not be disclosed on a disaggregated basis.

Our view

- 2.44 We understand these concerns and note we are bound by obligations under section 105 of the Utilities Act 2000 governing the release of information. We will comply with this and all other obligations relating to the protection of data. When submitting data to the Authority, we will ask all IGTs to clearly identify which submissions would be considered confidential.

3.Next steps

Our decision on the scope of further work

- 3.1 Having considered the responses received through the CfI, we have decided that our review will focus on the following key areas of interest for both the IGT sector and consumers:
- 1) A review of RPC to date:** we will assess the performance and implementation of the RPC framework since its introduction. This includes evaluating whether it has delivered its intended outcomes and ensure it has provided value for money to IGT consumers.
 - 2) Depreciation:** we will examine the future efficacy of the cap and collar, including how it might be impacted by possible changes in RIIO-3 such as accelerated depreciation, and if any changes are required.
 - 3) Disconnections:** we will assess the impact that any difficulty in recovering the cost of disconnection charges could have on IGTs. This will include what other options might be available for IGT cost recovery.
 - 4) Enhanced reporting and transparency:** we will work with the IGTs to develop effective enduring reporting mechanisms that provide the necessary cost and quality of service data. This will help ensure that our regulatory oversight has developed to the extent to which the IGT sector has expanded.
- 3.2 We anticipate the potential to explore additional areas as they emerge or become relevant. These may include, but are not limited to, whether there is need for new or updated RPC guidance, and the interpretation and application of RPC requirements to I&C premises.
- 3.3 Where further information from IGT licensees is necessary to help inform our review, we expect to formally request this under Condition 24 of the Gas Transporter Standard Licence.

Interaction with RIIO-3 and other workstreams

- 3.4 We recognise that there may be some overlap in areas of our review with work currently being done within Ofgem.
- 3.5 The scope of work that is primarily impacted by our RIIO-3 proposal is the issue of accelerated depreciation. As part of RIIO-3, we consider it is important for us to act to ensure intergenerational fairness and to protect both future consumers

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and investors against the perceived risk of asset stranding and we will therefore be aligned with RIIO-3 in our approach to IGT depreciation.

- 3.6 We will also work closely with the ongoing disconnections review to minimise any potential overlap.⁷
- 3.7 Cognisant of these and other workstreams, we will keep our scope under review as the work progresses.

Timeline

- 3.8 The current timeline of our review sits below but could be impacted by the timelines of other projects such as RIIO-3 and the disconnections review. A key dependency will likely be that we wouldn't implement any changes to the RPC as a consequence of RIIO-3 until the statutory process on any RIIO-3 licence modifications has been concluded.

Date	Stage description
November 2025	Stage 1: Publish a policy consultation on any proposed changes
January 2026	Stage 2: Consultation closes
Spring 2026	Stage 3: Publish our policy decision and a statutory consultation on any licence modifications
Summer 2026	Stage 4: Decision on licence changes
Autumn 2026	Stage 5: Implementation

- 3.9 We are keen to engage with stakeholders throughout the review process and remain open to consider further evidence that stakeholders may wish to discuss with us.

⁷ [Exercising consumer choice: a review of the gas disconnections framework | Ofgem](#)