



Independent Networks
Association

Access and Connections Team
Gas Systems and Operations Unit

Sent via email to: gas.systems@ofgem.gov.uk

24 March 2025

Call for Input – Independent Gas Transporters' Relative Price Control

I am writing on behalf of the Independent Networks Association (INA) who represent the Independent Gas Transporter (IGT) companies. Thank you for the opportunity to respond to this call for input.

I have set out below some context for the introduction of Relative Price Control (RPC) which inform our answers to the questions posed in the Call for Input.

Background to RPC

As set out in the Call for Input document, IGT charges are pegged to the equivalent Gas Distribution Network (GDN) charges through a Relative Price Control (RPC) with the overarching aim of broadly ensuring that consumers on IGT networks are no worse off than they would be if they were served by a GDN network. These arrangements were established in 2004 in response to challenges seen in the nascent gas connections market at that time, including lack of transparency and consistency in IGT charges, lack of incentives to invest and operate efficiently, and cross subsidy of activities distorting competition¹. The RPC framework was designed to address these concerns and to ensure that customers, and Gas Shippers who pay these charges, could be confident that charges for providing the 'last mile' of the network infrastructure were matched across GDN and IGT networks.

RPC charges match those of the GDNs when the connections are first made and are amended in subsequent years in line with the equivalent GDN price changes, either up or down. In order to offer some protection for IGT investors, to promote competition in the sector and to ensure consumers were also protected from steep price rises, a 'cap and

¹ The regulation of Independent Gas Transporter charging - Consultation Document - [Date of document](#)



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collar' mechanism was implemented providing a corridor which IGT charges remain within, regardless of changes which might impact GDN charges. It was intended that the cap and collar be removed after 20 years i.e. in 2024, and for IGT charges to revert to the GDN equivalent charges².

The RPC framework has been successful both in providing transparency and consistency of charges and in promoting efficiencies, as IGTs have to operate within a defined charging corridor. INA's 8 IGT members serve over 3 million connected customers, 80% of the gas networks for new homes being connected to IGT networks, which is a mark of the successful competition in new gas connections over the past twenty years. The expected move away from gas heating in new homes under the Future Homes Standard will mean that the role of IGTs will be increasingly focused on managing their gas assets for the benefit of their customers.

RPC charges are linked to GDNs charges, and IGTs face many of the same challenges, including the need to recover investment in gas assets the financial arrangements for which were designed to be recovered over many decades. In its sector specific methodology decision (SSMD)³ for RIIO-GD3 Ofgem confirmed the intention to accelerate depreciation for GDN network assets in response to the Government's Net Zero targets. Under the current RPC framework, the 'cap and collar' mechanism would prevent additional costs charged to consumers being recovered by IGTs to recover the investment in gas assets as described in the SSMD.

Q1. To what extent do you support a review of the IGT RPC framework? How do recent developments, including those we have listed or any others of which you are aware, inform your opinion? We are especially interested in views in relation to the following perspectives: a. Interests of existing and future gas consumers; b. System decarbonisation to achieve net zero; c. Economic growth

We are supportive of a review of the current IGT RPC Framework to ensure that there is no unintended consequence from the decision to accelerate the recovery of gas asset investments. Without some limited reform, which allows IGTs to recover this investment in the same way as GDNs, there is a risk that:

² The Regulation of Independent Gas Transporter Charging – Final Proposals (Para 3.76)

³ [RIIO-3 Sector Specific Methodology Decision – Overview Document](#)

- Under the price cap, existing customers will be charged for accelerated depreciation, but this revenue will not flow to IGTs and its intended purpose.
- some IGTs may face financial challenges introducing security of supply and other uncertainty concerns for current and future consumers.
- investors may consider that they cannot recover investment and will build additional risk costs into IGT (and wider Utilities) funding. This will impact the economic growth which the RPC framework has supported.

Q2. To what extent does our proposed review scope meet your expectations? If the proposed scope does not meet your expectations, please provide details of what should be excluded / included and your reasons for those exclusions / inclusions.

We do not consider that a review focussed on IGT costs is the appropriate approach to this review. Importantly, a fundamental precedent in competition law is for competitor companies to be able to compete on the same basis as the dominant company (e.g. GDNs). GDNs are therefore required to ensure that the prices which it sets for the operation of the upstream element allow IGTs to make a margin that the GDN's own downstream business would make if it operated standalone, including all relevant efficient costs. This is why the IGT Relative Price Control framework was created; it relates to the efficient frontier set by Ofgem through the GDNs' price control process. Ofgem has certainty that consumers are protected from charges in excess of those already confirmed to be appropriate for the provision of the service. The implication of the direction this call for input has taken appears to ignore this principle.

There are also practical implications for this information set. Each IGT is a multi-utility with differing business types with a level of shared services across their different operating models and portfolios; identifying costs which can be compared on a like-for-like basis will be complicated and will require significant guidance and time to achieve. This would need to be clearly timetabled to ensure there is sufficient time to undertake a cost-based review of RPC and meet the GD3 decision and April 2026 implementation date.

Rather than focus on cost, we believe it appropriate that Ofgem review the constraints the 'cap and collar' impose which, in the scenario of accelerated depreciation for GDNs, prevent the IGTs achieving the same margin as the GDNs equivalent notional downstream business. Ofgem set out the rationale for this review in their Call for Input paragraph 1.12 and we believe that this is where the scope of the review needs to be focussed. Ofgem may also



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wish to review the service levels provided by IGTs to ensure that consumers are receiving equivalence in customer service as well as charges with the relevant GDN.

Q3. To what extent does our proposed approach meet your expectations? If the proposed approach does not meet your expectations, please explain why and what could be done to meet your expectations.

We understand and support Ofgem's intention to conduct its review in a rigorous and appropriate manner with due regard to the impact for current and future consumers. The scope and extent of consumers on IGT networks and the charges levied on them, as well as likely future trends, are important factors in understanding the effectiveness of the current regime and informing decisions on any changes. As we have set out in our answer to Q2 above, we believe that the proposed approach sets out a different direction to our expectations and Ofgem's rationale for a review.

Q4. To what extent do you agree that the information and data suggested at paragraph 2.7 is reasonable and sufficient for the purposes of the proposed review? If you consider that the information being requested is unreasonable or insufficient, please explain why and provide any amendments, alternatives or additions

We do not agree that all of the data identified at 2.7 is appropriate and set out below our views under the headings provided in the Call for Input.

Details and estimates of IGT operations

We agree it is reasonable and helpful to Ofgem to understand the volume and type of consumers served by IGT networks. There is a question over what is intended by item ii) Network asset value (Quantitative) and we would be grateful for further guidance from Ofgem on what is required here.

Details and estimates of operating and capital expenditure

As noted in our response to Q2, we do not consider it appropriate to approach this review from an IGT cost perspective, and we consider the items detailed under the heading are not likely to inform Ofgem's view.

Details and estimates of IGT revenue and profit. Charges made for connections to the various supply point descriptors is readily available; guidance on whether average (by



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region, year of entry, property type) and the difference between (2) Commercial and (3) Industrial would be welcome. However, the operating and net profits information will rely on different accounting methods and will not provide a useful comparison tool for Ofgem.

Market factors that may influence IGT operations, revenue & profit

Behavioural change by consumers is unpredictable and will be influenced by Government policy and grants or subsidies for alternative heating solutions. Some of this work is already under review in the gas disconnections framework review.

Non- market factors that may influence IGT operations, revenue & profit

The responses here would be speculative based on unknown future regulation.

Details of quality of service:

Outage and compliance information should be split between that which is a result of the upstream network and that which is under the direct control of the IGT. It will also be useful for Ofgem to review IGT GSOP data in this context.

Q5. How much of the information and data set out in paragraph 2.7 could reasonably be provided?

As identified in our response to Q4, a number of the data sets will not be readily available without significant work to develop a common approach that could not prove possible in the timeframe for this review. We are keen to continue to work collaboratively with Ofgem to develop a data set that will both satisfy the regulators requirements and provide meaningful information on which to base a review of the current arrangements.

Q6. What lead times are reasonable for the compilation and submission of the information and data set out in paragraph 2.7?

Information relating to IGT networks and consumers, as well as outage and complaint data should be relatively straightforward to provide – albeit some of the data is likely only to be available as snapshot rather than over a 7-year historical period i.e.: consumer vulnerability data. Where we have identified challenges with the data sets, i.e. costs and profits we would need to work closely with Ofgem to clearly understand the requirement and benefit of this data in order to provide a timeframe in which it might be able to be provided.



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Q7. Are there any sensitivities around the collection, use and disclosure of the information and data to be requested?

This will be for individual IGTs to consider and confirm in their response to the Call for Input.

Please let me know if there are any questions on any area of our submission.

Nicola Pitts
Executive Director