



Making a positive difference
for energy consumers

Interested stakeholders

Recipients Address

Email: RIIO3@ofgem.gov.uk

Date: 30 July 2025

Dear stakeholders

RIIO-3 Initial Licence Consultation

What are we consulting on?

We are engaging with stakeholders on our proposed modifications to the licence conditions and Price Control Financial Instruments required to implement the RIIO-3 price control settlements for electricity transmission (ET), gas transmission (GT) and gas distribution (GD) networks. The new licence will apply from 1 April 2026. We will carry out a full statutory consultation on the implementation of the RIIO-3 licence in December 2025.

The proposed licence amendments presented alongside this document are intended to reflect decisions set out in the RIIO-3 Sector Specific Methodology Decision (SSMD)¹ and our consultation positions contained within our RIIO-3 Draft Determinations², and to improve the clarity of the licence conditions. This Initial Licence Consultation is distinct from our ongoing consultation on our RIIO-3 Draft Determinations. We are not seeking views on our Draft Determination proposals here, but on the draft licence conditions that are intended to give effect to our proposals.

Some elements of the licences cannot be finalised until corresponding policy or cost decisions are made; where this is the case, provisional or placeholder content has been included in square brackets. These conditions are working drafts and we recognise that further work may be required to ensure that the conditions appropriately reflect our consideration of RIIO-3 Draft Determination responses and our RIIO-3 Final Determinations that will be published later in the year. There may be other licence conditions that we present in the December licence consultation that have not been included in this consultation. Discussions on all licence conditions will continue with licensees during this consultation period.

¹ <https://www.ofgem.gov.uk/decision/riio-3-sector-specific-methodology-decision-gas-distribution-gas-transmission-and-electricity-transmission-sectors>

² <https://www.ofgem.gov.uk/consultation/riio-3-draft-determinations-electricity-transmission-gas-distribution-and-gas-transmission-sectors>

This seven-week consultation is an opportunity for stakeholders to provide views on our working drafts of the proposed licence changes, and to respond with their views using the templates provided alongside this letter.

This consultation does not apply to Electricity Distribution (ED) licences. There will be a separate drafting process for the ED-3 Price Control.

Types of Licence Conditions

We are proposing changes for the following licences:

- for RIIO-ET3 - the electricity transmission owner (TO) licences of:
 - National Grid Electricity Transmission (NGET)
 - Scottish Power Transmission (SPT)
 - Scottish Hydro Electricity Transmission (SHET)
- for RIIO-GT3 - the gas transporter licence of National Gas Transmission (NGT)
- for RIIO-GD3 - the gas transporter licences of the following Gas Distribution Networks (GDNs):
 - Cadent
 - Northern Gas Networks Limited
 - Scotland Gas Networks plc
 - Southern Gas Networks plc
 - Wales and West Utilities Limited

There are three types of licence conditions to which we are proposing changes. These are summarised below:

1. **Standard Licence Conditions (SLCs):** SLCs set out the duties and obligations applicable to all holders of a particular type of licence. All transmission and gas distribution licences contain SLCs. The SLCs include some obligations related to RIIO that do not adjust allowed revenue. The SLCs are grouped into different parts/sections that either apply or do not apply according to the activities carried out by the licence holder. Because we plan to change a small number of SLCs, the attached documents only include SLCs where we are proposing changes.
2. **Standard Special Conditions (SSCs):** SSCs are similar to SLCs but only apply to NGT and the GDNs. They are grouped into different parts that either apply, or do not apply, to NGT or the GDNs, according to the activities being carried out by that licensee. Because we plan to change a small number of SSCs, the attached documents only include SSCs where we are proposing changes.
3. **Special Conditions (SpCs):** SpCs are conditions that apply to a particular licensee. However, the wording is often the same for all licensees of a particular type. Where this is the case we will only present one draft condition in this consultation, although it will be added to the SpCs of each licensee. The majority of the changes set out in this document relate to SpCs, as most of these relate to RIIO and many contribute to

the calculation of allowed revenue. Because there will be significant changes to the SpCs, the attached documents include the entire set of SpCs.

We are also proposing changes to the Price Control Financial Model (PCFM) and the Price Control Financial Handbook (Handbook), which together are known as the Price Control Financial Instruments. These are a constituent part of the Special Licence Conditions and therefore have the same status as the licence. These documents provide further detail on the variable values and the methodologies used in the calculation of allowed revenue. The attached documents contain one PCFM and one Handbook per sector.³

Next Steps

This consultation is an opportunity for stakeholders to feedback views on our proposed draft licence conditions for the RIIO-3 Price Controls.

We have provided a template for responses to this consultation as part of the supplementary documents published alongside this consultation on our website. All responses need to be sent back to us via the RIIO3@ofgem.gov.uk email.

We will be publishing the Statutory Consultation on the RIIO-3 Licences in December of 2025 followed by the Notice of Modifications in February 2026.

Remaining stages for the RIIO-3 Licence Modification Process

Stage	Date
Initial Licence Consultation Closes	16 September 2025
Final Determinations	Early December 2025
28-Day Statutory Licence Consultation Published	Mid-December 2025
Licence Modification Decision Published	Early February 2026
Licence changes come into effect and RIIO-3 starts	1 April 2026

Kind regards

James Veaney

Deputy Director, Electricity Price Control Setting

³ We are also publishing an extract of the PCFM Guidance and a "Legacy PCFM" for each sector to enable stakeholders to better understand the proposed amendments to the Handbooks and Special Conditions.