



Making a positive difference
for energy consumers

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SGN

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Dear David,

Proposed Modifications to SGN's Southern Gas Networks and Scotland Gas Networks Connection Charging Methodologies

You submitted revised copies of your Southern Gas Networks and Scotland Gas Networks Connection Charging Methodologies ("the CCMs") and a report to us¹ on 09 June 2025. In your report, you propose several modifications to the CCMs including:

- (a) outlining the process and charging basis for the Final Connection of apparatus above 7 barg constructed by third parties;
- (b) revising provisions in 3.7 to allow third parties to commission adoptable pressure regulating installations ("PRI");
- (c) several administrative and housekeeping changes.

Standard Condition ("SC") 4B of your Gas Transporter Licence states that we can give a direction in respect of any connection charging methodology modification that the modification shall not be made. On this occasion, we have decided not to veto any of the modifications. Our decision is explained below.

¹ Ofgem is the Office of the Gas and Electricity Markets Authority. The terms 'Ofgem', 'the Authority', 'we', 'our' and 'us' are used interchangeably in this document.

Background

SC 4B of your Gas Transporter Licence sets out the obligations for you to put in place and maintain a connection charging methodology. In particular, 4B (4) states that you must review the connection charging methodology at least once in every year and make modifications for the purpose of better achieving the relevant objectives.²

It also states that any modifications must be submitted to us alongside a report which sets them out, explains why they will better facilitate the relevant objectives³, and includes a timetable for implementing the changes. We have a 28-day period starting from the date this information is submitted to issue a direction to the licensee that the modifications shall not be made.⁴

The modifications you propose are described in more detail below.

Modifications to the CCMs

Modification (a): Final Connection of apparatus above 7 barg constructed by third parties

You propose to revise section 3.6 ("Charging for minimum connections (above 7 barg connections)") to introduce the option for third parties to undertake the Final Connection process of above 7 barg assets. You describe the basis on which SGN will establish the fitness for purpose of these assets. You also set out the basis on which you will levy charges for SGN or third-party Final Connections, and monitoring and safeguarding arrangements.

You suggest that this modification would better achieve relevant objectives (b), (c) and (d).

Modification (b): third party commissioning of adoptable PRIs

You propose to revise section 3.7 (Charges for adoptable PRI (Regulating Installations) commissioning) to introduce the option for third parties to commission adoptable PRIs to be adopted by SGN irrespective of pressure tier, provided this is carried out under controlled procedures agreed with SGN. You clarify how SGN will establish the fitness for purpose of those assets and will charge for its role.

You suggest that this modification would better achieve relevant objectives (b) and (c).

² SC 4B, paragraph 4 [Gas Transporter Standard Licence Conditions 08 04 2021](#)

³ The relevant objectives are set out in SC 4B, paragraph 5.

⁴ SC 4B, paragraph 6 [Gas Transporter Standard Licence Conditions 08 04 2021](#)

Modification (c): Administrative and housekeeping changes.

You propose to make a minor amendment to the CCMs to clearly define what Final Connection means in the context of above 7 barg assets and amend Appendix D to clarify that the term 'minimum connection work' should instead refer to 'Final Connection work'. You suggest this change improves clarity and consistency within the CCMs. You propose several administrative updates to improve the clarity and consistency of the CCMs. These include minor adjustments to references in the document.

Our comments

Modification (a): Final Connection of apparatus above 7 barg constructed by third parties

We do not object to this modification. We agree that introducing a new mechanism for third parties to undertake Final Connection of above 7 barg apparatus may facilitate competition in the supply of gas, as observed by relevant objective (b). We also consider that the proposed charging methodology set out in 3.6 of the CCMs would result in charges which reflect the costs incurred by SGN to carry out work, with SGN following the same principles that are applied to other connection work in respect to charging for above 7 barg apparatus. This better achieves relevant objective (c). Finally, we consider that the proposed modifications better achieve relevant objective (d), as they recognise and facilitate the development in SGN's transportation business in regard to above 7 barg assets constructed by third parties. We note that this brings SGN in line with other Gas Distribution Networks.

Modification (b): third party commissioning of adoptable PRIs

We do not object to this modification. We consider that introducing the option for third parties to commission adoptable PRIs to be adopted by SGN irrespective of pressure tier can benefit competition and may potentially reduce the overall cost of connection development, and thus better achieves relevant objective (b). We also consider the proposed changes to be consistent with relevant objectives (c) and (d). In 2024, SGN proposed to remove wording dealing with charging for adoptable PRI commissioning, which in practice would have meant that SGN would socialise the costs associated with such commissioning across their customer base through transportation charges. We directed this modification not be made, because we considered that it was not appropriate to shift these costs on to other consumers.⁵ SGNs proposed changes now do not involve charges for adaptable PRI being subject to socialisation, and the proposed approach to charging is consistent across pressure levels. Finally, the changes facilitate the development of SGN's transportation model with regard to adoption of PRIs.

⁵ [SGN Connection Charging Methodology Modification Decision letter.pdf](#)

Modification (c): Administrative and housekeeping changes

We do not object to this modification. Proposed changes to the term Final Connection and to Final Connection work improve clarity.

Ofgem's Principal Objective and Statutory Duties

Ofgem's principal objective is to protect the interests of existing and future consumers in relation to gas conveyed through pipes. We consider that the modifications proposed this year are consistent with this objective, by ensuring cost-reflective charging, improved process clarity, and enabling competition where appropriate.

Decision Notice

In accordance with paragraph 6 of Standard Condition 4B of the Gas Transporter Licence, the Authority has decided not to issue a direction to prevent any of the proposed modifications set out in SGN's 2025 report and the CCMs. All proposed modifications may proceed as submitted.

Please note that this decision pertains only to those matters we are required to consider when deciding whether to approve proposed modifications to a connection charging methodology in accordance with SC 4B. For the avoidance of any doubt, nothing in this letter fetters our discretion to make any other decisions and take any other actions.

In the interests of transparency, we will publish this letter on our website.

Yours sincerely,

William Duff

Head of Gas & Hydrogen Systems Management and Operation

Signed on behalf of the Authority and authorised for that purpose