

DIRECTION ISSUED TO:

**Cadent Gas Ltd
Northern Gas Networks Ltd
Scotland Gas Networks PLC
Southern Gas Networks PLC
Wales & West Utilities Ltd**

**TREATMENT OF COSTS IN RESPECT OF LAST RESORT SUPPLY PAYMENT CLAIMS AS MISCELLANEOUS
PASS-THROUGH UNDER SPECIAL CONDITION 6.1 OF THE GAS TRANSPORTER LICENCE**

WHEREAS:

1. Each of the companies to whom this Direction is addressed (each a “Licensee”) holds a Gas Transporter licence granted or treated as granted by the Gas and Electricity Markets Authority (the “Authority”) under section 7 of the Gas Act 1986 (“the Act”).
2. Standard Condition 9 (Claims for Last Resort Supply Payment) of the Gas and Electricity Supply Licences provides that a Supplier of Last Resort may make a claim for a Last Resort Supply Payment to compensate for additional costs it has incurred in complying with a Last Resort Supply Direction, from relevant gas transporters and electricity distributors, where the Authority has given its consent to the amount claimed.
3. The Licensees are required by paragraph 3 of Standard Special Condition A48 (Last Resort Supply: Payment Claims) of their Gas Transporter Licences to decrease their transportation charges from 1 April 2026 to such an extent as they reasonably estimate to be appropriate to secure that such consequential decrease in their revenue equals the specified amount.
4. Paragraph 10 of Standard Special Condition A48 provides that “in calculating the licensee’s transportation revenue during any period for the purposes of a price control condition any increase or decrease in revenue attributable to the licensee’s compliance with this condition shall be treated as if it had not occurred”.
5. This direction is made in accordance with the definition of the term MP_t as set out in Special Licence Condition 6.1 Pass Through items (“SpC 6.1”) to direct the recovery of the Last Resort Supply Payment claim. SpC 6.1 contains a Miscellaneous Pass-through (“ MP_t ”) term that allows for the pass-through of miscellaneous items as directed by the Authority. Following consultation with the affected licensees, and under SpC 6.1 we are directing a change to the MP_t term, which in turn feeds into the PT_t term. We consider the use of MP_t term to be appropriate in reconciling amounts relating to the Last Resort Supply Payment claims in the Licensees’ price control and in achieving the aims in paragraph 10 of Standard Special Condition A48.
6. In accordance with the definition of the term MP_t as set out in SpC 6.1 the Authority directs the following values to be recovered through the MP_t term for the Regulatory Year 2026/27 in the Last Resort Supply Payment claims. The following are the total Last Resort Supply Payment claim amounts for each of the Licensees’ distribution networks:

Licensee	MPt amounts for 2026/27
Cadent, of which:	
Cadent – East	-£7,120,818.15
Cadent - London	-£3,999,778.12
Cadent - North West	-£4,753,716.76
Cadent - West Midlands	-£3,472,947.96
NGN	-£4,504,087.95
SGN - Scotland	-£3,260,485.97
SGN - Southern	-£7,299,249.84
WWU	-£4,528,360.38

7. Whilst Cadent is a licensee with a single MP_t term, the Suppliers of Last Resort have submitted separate claims to each of the four distribution networks under the Cadent licence. For reporting purposes, each of these claims are to be recorded in the Revenue Reporting templates.
8. This direction constitutes notice for the reasons for this decision as required by section 38A of the Act.

NOW THEREFORE

The Authority hereby directs the above values in respect of the total Last Resort Supply Payment claim, to be recovered through the MPt term in SpC 6.1 for the Regulatory Year 2026/2027.

Signed

Mick Watson

Deputy Director, Regulatory Finance

Authorised for and on behalf of the Gas and Electricity Markets Authority.

Dated: 8 October 2025