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Monday, 25 August 2025

RIIO-3 Draft Determinations – Gas Distribution

CNG Services Ltd (CSL) provides consultancy, design and build services to the gas industry, all focused on reducing Greenhouse Gas emissions. This response relates solely to the proposals for biomethane.

GDQ20. Do you agree with the introduction of the proposed Biomethane Connections UIOLI, including with the proposed scope and funding caps?

We support and welcome proposals that encourage more green gas to be produced, including this proposal. However, we have concerns about the effectiveness of the proposal as well as its scope and potential distortion of the competitive market.

We believe that uptake of the proposed allowance will be very limited given the £1m limit and that it will only be available when connections have not received GGSS or any other government funding. To date, only one plant is operational in GB that is not supported by RTFCs, RHI nor GGSS. These schemes offer substantially more support than £1m (typically £50m over 15 years) and there is no prospect of funding at the proposed level attracting additional plants.

When the RHI was introduced in 2011 there was agreement that developers would fund specific biomethane costs including the biogas upgrading unit, grid entry unit, site compressors and grid connection pipeline. The RHI provides income support to provide a return on this investment and for around 100 GDN projects this has been the case. These projects use the capacity that already existed in the gas network and the GDNs have not funded capacity reinforcement projects - any required reinforcement would be 100% funded by the biomethane producer. In the absence of reinforcement, and with a minimum connection policy, there are minimal GDN connections costs.

Looking forward however, the lack of availability of network capacity is now critical with a large number of potential projects failing to progress (we have 25 recorded in our database). To achieve target levels of green gas injection, network reinforcement is needed to create capacity, with three technical solutions:

- Smarter pressure control to reduce natural gas flowing into a network and create more space for biomethane
- Reverse compression to export gas from one pipeline into a higher pressure one with available capacity

- New pipelines to connect two networks, allowing biomethane flows to access more demand

None of these investments were considered when RHI and GGSS were established and none were involved when all the existing biomethane plants were connected. Rather than double funding, therefore, an allowance towards these costs would be a step towards keeping funding provision in line with the historic position and putting new projects on an equal footing with the legacy ones.

Notwithstanding that we do not expect significant take-up of the proposed UIOLI allowance if it is only available in the absence of GGSS or other government funding, we note and support that Ofgem “do not want for the UIOLI to introduce distortions with regard to where and how biomethane producers wish to connect onto either the distribution or the transmission network”. We have established an IGT to support the biomethane market and request that Ofgem takes this into account with any final proposals, ensuring decisions do not put our IGT business at a competitive disadvantage, including for reverse compression projects.

We currently operate a pipeline at under our IGT licence that connects an AD plant at Bangley Quarry to the LTS. If the UIOLI allowance is available for connecting pipelines, we would suggest that the proposals should be clear that GDNs must make this allowance available via an IGT in the same way that it would be available if a GDN owned the pipeline. Similarly we have provided a reverse compression facility via our IGT at High Bickington that is 100% funded by the biomethane producer. If a UIOLI allowance is made available in future, to retain a level playing field the arrangements should provide for allowances to be available irrespective of whether reverse compressor installations are operated by an IGT or GDN.

Our second concern is that connections can be delivered through the competitive market with developers able to select the contractors that complete connection works. The self-lay approach is efficient and encourages whole system cost minimisation but if GDNs can offer a £1m subsidy for carrying out works themselves, this makes the self-lay model unviable. We do not believe this is in customers’ interests and are confident it is not Ofgem’s intention. Ensuring any funding is designed to be available to self-lay organisations is, therefore, important.

GDQ28. Do you agree with our proposal to reject Cadent's proposed pass-through to facilitate biomethane connections?

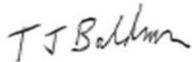
We believe it would be appropriate to revisit the Cadent proposal in light of our comments above about the change in the biomethane market, with the need for network capacity reinforcement becoming increasingly common.

Additionally we believe there is a case for funding to be allowed when capacity reinforcement potentially benefits a number of new projects at various stages of development, but not all will proceed. An element of speculative development can be justified provided there is a clear capacity boost to an area with multiple networks impacted. In addition, some over investment is justifiable to provide flexibility at relatively low cost. For example, if a new compressor station is built, obtaining land and completing groundworks that would support an additional compressor being added in future could be economic and efficient and could be funded in the way Cadent propose.

We think that £1 million is reasonable per smarter pressure control investment (which may be at two locations feeding one network) and for interconnecting pipelines, but for reverse compression it is likely that £2 - £2.5 million per project is required for most plants with higher capex of around £4 million for larger projects which support multiple networks (we have examples in Cadent and WWU areas of the need for such projects). £4 million also appears reasonable for projects exporting gas from the LDZ to the NTS and we have identified five such projects which deliver significant capacity benefits.

We hope these comments are helpful and would be happy to provide further clarification.

Yours sincerely,



T. J. Baldwin
Managing Director