

OFGEM
10 South Colonnade
Canary Wharf
London
E14 4PU

Monday, 25 August 2025

RIIO-3 Draft Determinations – National Gas Transmission

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 proposal for biomethane.

GTQ15. Do you agree with the introduction of the proposed UIOLI mechanism for biomethane, including with the proposed scope and capex cost 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 £1.2m 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.

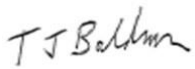
Notwithstanding that we do not expect significant take-up of the proposed UIOLI allowance if it is only available in the absence of GGSS or other government funding, we note and support that Ofgem “do not want for the UIOLI to introduce distortions with regard to where and how biomethane producers wish 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. Whilst capacity in the NTS is not an issue for biomethane, we are aware of five potential GDN to NTS projects which would provide capacity in the GDN and it could be appropriate for some of this funding to be from NGT (estimated capex of around £4 million per project).

Our second concern is that connections can be delivered through the competitive market with developers able to select the contractors to complete connection works. The self-lay approach is efficient and encourages whole system cost minimisation but if NGT can offer a £1.2m 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.

NGT has changed its NTS policies to support biomethane projects and there is a significant pipeline of such projects. We think Ofgem should consider making OPEX allowances to allow NGT to have additional resources in relation to biomethane so that these projects can receive the best possible service

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

Yours sincerely,



T. J. Baldwin
Managing Director