

**Our Ref:** N/a

**Your Ref:** Call for Support on the Electricity Transmission, Gas Transmission and Gas Distribution Business Plans for RIIO-3

**Sent Via:** [RIIO3@ofgem.gov.uk](mailto:RIIO3@ofgem.gov.uk)



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**LETTER OF SUPPORT - RIIO-3 Draft Determination**

To whom it may concern,

We welcome the opportunity to respond to Ofgem's draft determinations on RIIO-3 Plans for the Gas Transmission sector and appreciate the extensive work Ofgem has undertaken to review and assess the business plans submitted across Gas Transmission, Electricity Transmission and Gas Distribution.

As outlined in our response to the Call for Evidence on RIIO-3 Plans earlier this year, we have engaged with National Gas throughout RIIO-T2, and we have expressed our support for and confidence in National Gas' business plan for RIIO-GT3. Particularly, we have been working with National Gas to improve ways of working in preparation to ramp up and deliver increased volumes of work on the network during the next price control period.

We note that within Ofgem's draft determinations, much of National Gas' proposed capex volumes have been reallocated from baseline funded works into in-period Uncertainty Mechanisms. As a key supplier of Construction, Mechanical, Electrical and Project Management Services across a range of Work types to National Gas, we express concerns over the effects that the scale of this reallocation will have on the supply chain.

We are concerned that signalling approval for large volumes of capital works in-period rather than at final determinations may have unintended consequences for the supply chain, including:

- **Reduced programme certainty and continuity:** Disrupting our ability to work with National Gas to build a clear, consistent and committed programme of work; working with National Gas to plan and optimise the forward-looking pipeline of work has been a key feature of improvements to our ways of working and is a basis to the collaborative approach in advance of RIIO-GT3. Without the certainty in workload it prevents investment in training, which would directly drive productivity gains.
- **Investment hesitation:** Potentially reducing confidence to invest in new people, existing workforce development, equipment innovations without a clear pipeline of work. This also impacts ability to bid for work if there is less certainty that this work will materialise and there is an additional cost for all parties in managing increased tendering activities.
- **Resource planning challenges:** The market is increasingly competitive for skilled labour and resources. A lack of clarity on future workbook reduces our ability to invest in and commit to specialist resource with confidence. In other industries which United Living work such as the Water industry we are being presented with five years of workbooks and beyond, which allows ourselves to invest in apprenticeships and attract staff with long term career opportunities. In this context the lack of clarity on work volumes could lead to increases in unit costs as resources are only employed on a short-term basis. In order for United Living to maintain a high level of quality, a long-term view of a program allows the ability to commit to long term training initiatives.



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- **Procurement inefficiencies, cost and delay risks:** Uncertainty limits the procurement options available to us, particularly for long lead time items. We are unable to leverage whole volumes across the portfolio to buy materials and products to meet future demand potentially creating greater exposure to price changes and lead times. Without a five-year procurement plan, we miss opportunities for early alignment, bulk purchasing, and better supplier terms. This drives higher costs, delays, and ultimately greater expense for stakeholders.

Ofgem's draft determinations for the gas networks' RIIO-3 responses, are a cause for concern. While funding has been secured for core safety work, Ofgem has taken a stringent approach in areas where justifications were deemed weaker, focusing only on the absolute essentials and citing future uncertainty. The scale of reductions is significant: NGT's submission of £4.1bn has been cut to £2.5bn (-39%), WWU's £2.2bn to £1.5bn (-31%), SGN's £4.5bn to £3.4bn (-25%), Cadent's £8.0bn to £6.3bn (-22%), and NGN's £1.8bn to £1.6bn (-15%). Such reductions raise questions about the networks' ability to deliver beyond the minimum requirements and to invest effectively in resilience and future readiness.

In summary, we look forward to working with National Gas to deliver crucial investment on the gas transmission network to maintain resilience, safe levels of risk, and progress towards net zero. However, we believe that the proposed reallocation of significant volumes of work from into in-period uncertainty mechanisms introduces additional risks to delivery, reduces the potential for efficiency and may ultimately pass additional costs onto end consumers.

Yours Sincerely,



Neil Armstrong  
**Group CEO and Chairman**