

Decision

NOTICE OF DECISION TO ACCEPT BINDING COMMITMENTS OFFERED BY SCOTIA GAS NETWORKS LIMITED ('SGN') AND ITS WHOLLY OWNED SUBSIDIARIES ('THE SGN GROUP') IN RELATION TO GAS TRANSPORTATION OR ACTIVITIES ANCILLARY TO GAS TRANSPORTATION

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1. Introduction and summary

- 1.1. In this decision (the '**Decision**') made under section 31A of the Competition Act 1998 (the '**Act**'), Ofgem¹ accepts the commitments offered by the SGN Group, as set out in Annex I to this decision (the '**Commitments**').
- 1.2. The Commitments were offered by the SGN Group to address the competition concerns identified by Ofgem; namely that from at least October 2018 the SGN Group has engaged in conduct that may have amounted to an abuse of a dominant position in the gas distribution market by refusing to adopt above 7 barg connections (these are higher pressure connections used at non-domestic premises) provided by third parties in the Scotia Gas Network Gas Distribution Network (the '**SGN GDN**') Area. It is noted that the offer of Commitments by the SGN Group does not constitute an admission of any infringement(s) by the SGN Group.
- 1.3. In brief, Ofgem's competition concerns (which are set out in more detail in Chapter 4 of this Decision) are that the SGN Group refused to adopt above 7 barg apparatus, assets, or infrastructure from third parties and thereby:
 - a) refused access to an essential facility, the SGN GDN, thereby foreclosing competitors in the market(s) relating to the provision of services related to above 7 barg connections; and/or
 - b) applied dissimilar conditions to equivalent transactions, thereby foreclosing competitors in the market(s) relating to the provision of services related to above 7 barg connections.
- 1.4. The Commitments will ensure that:
 - a) The SGN Group will maintain a published SLO-1 audit framework² (the '**SLO-1**') setting out the process that SGN will follow to assess whether natural gas self-lay pipelines operating at above 7 barg pressures, built by or on behalf of a customer seeking to establish a new entry or exit point along the SGN GDN, are suitable for adoption by SGN, which will be reviewed and updated when needed. No prohibitions or unnecessary restrictions will be introduced by way of policy updates.

¹ In this publication, the terms "Ofgem", "the Authority" and "we" are used interchangeably. The Office of Gas and Electricity Markets ("Ofgem") is a non-ministerial government department and Great Britain's independent National Regulatory Authority for the energy sector. It is governed by the Gas and Electricity Markets Authority ("GEMA" or "the Authority").

² <http://www.sgn.co.uk/gas-connection/business-services/third-party-connections>

- b) The SGN Group will maintain a 4B Statement³ that publicises the existence of the SLO-1 and will actively promote its existence on an annual basis.
 - c) The SGN Group will revise any other related internal and external policies and procedures to reflect the introduction of the SLO-1.
- 1.5. The SGN Group will provide Ofgem with annual compliance reports and nominate a Commitments Compliance Officer responsible for monitoring the SGN Group's compliance with the Commitments.
- 1.6. The SGN Group will deliver training relating to abuse of dominance to all SGN Group employees (except for administrative and operational ground and engineering staff).
- 1.7. All SGN Group entities will support each other to ensure compliance with the Commitments and not take action that might undermine the SGN Group's compliance with them.
- 1.8. This decision follows a public consultation on Proposed Commitments offered by the SGN Group (the '**Proposed Commitments**'). On 9 September 2025, Ofgem gave notice, under paragraph 2 of Schedule 6A to the Act, that it intended to accept the Proposed Commitments offered by the SGN Group and invited views from persons likely to be affected (the '**Consultation**').
- 1.9. During the Consultation one representation was received expressing full support for the implementation of the Commitments without recommending any amendments. Consequently, no changes have been made to the Proposed Commitments.
- 1.10. For the reasons set out in this Decision, Ofgem, having fully assessed in the round the evidence and response to the Consultation, and having considered the factors set out in the CMA's Guidance on its investigation procedures under the Act (the '**Procedural Guidance**')⁴, has concluded that it is appropriate to accept the Commitments to address the competition concerns it has identified. As a result of accepting the Commitments, Ofgem has discontinued its investigation (the '**Investigation**') with no decision made as to whether or not the SGN

³ <https://www.sgn.co.uk/gas-connections/connections-documents-and-charges>

⁴ [Guidance on the CMA's investigation procedures in Competition Act 1998 cases: CMA8](#) (CMA 8, 19 December 2024), paragraphs 10,15 – 10.26. Section 31A of the Act provided that, for the purposes of addressing the competition concerns it has identified, the CMA may accept, from such person or persons concerned as it considers appropriate, commitments to take such action (or refrain from such action) as it considers appropriate. The Procedural Guidance describes the circumstances in which the CMA is likely to consider it appropriate to accept binding commitments and the process by which parties to an investigation may offer commitments to the CMA.

Group infringed the prohibition in section 18(1) of the Act (the ‘**Chapter II prohibition**’)⁵. The offer of Commitments by the SGN Group does not constitute an admission of any infringement by the SGN Group.

1.11. Acceptance of the Commitments does not prevent Ofgem from taking any action in relation to competition concerns which are not addressed by the Commitments. Moreover, acceptance of the Commitments does not prevent Ofgem from continuing its Investigation, making an infringement decision, or giving a direction in circumstances where Ofgem has reasonable grounds for:

- a) Believing that there has been a material change of circumstances since the Commitments were accepted;
- b) Suspecting that a person has failed to adhere to one or more of the terms of the Commitments; or
- c) Suspecting that information which led Ofgem to accept the Commitments was incomplete, false, or misleading in a material particular.⁶

1.12. The possible consequences of failing to adhere to the Commitments are set out in sections 31E, 35A and 35B of the CA98. They include powers for Ofgem to:

- a) impose a penalty on a person from whom Ofgem has accepted the Commitments if Ofgem considers that the person has, without reasonable excuse, failed to adhere to the Commitments⁷; and
- b) apply for a court order enforcing the Commitments if a person from whom Ofgem has accepted the Commitments fails without reasonable excuse to adhere to the Commitments.⁸

1.13. The remainder of this Decision is structured as follows:

- an overview of the Ofgem’s investigation (Chapter 2);

⁵ Section 18(1) of the Act prohibits any conduct on the part of one or more undertakings which amounts to the abuse of a dominant position in a market if it may affect trade within the United Kingdom, or any part(s) of the United Kingdom, unless any of the excluded cases pursuant to section 19 of the Act apply. For these purposes, a dominant position means a dominant position within the United Kingdom or any part(s) of the United Kingdom.

⁶ Section 31B(4) of the Act.

⁷ CA98, section 35A. Any penalty will be calculated in accordance with section 35B of the CA98 as inserted by the Digital Markets, Competition and Consumer Act 2024 (DMCCA24) Schedule 11, Part 1 section 6.

⁸ CA98, section 31E as amended by DMCCA24 Schedule 11, Part 1 section 3.

- background information regarding the SGN Group and the relevant market context (Chapter 3);
- details of Ofgem's competition concerns (Chapter 4);
- a summary of the Commitments (Chapter 5);
- Ofgem's assessment of the appropriateness of commitments in this case (Chapter 6);
- Ofgem's decision to accept the Commitments (Chapter 7);
- the text of the Commitments (Annex I); and
- definitions (Annex II)

2. Ofgem's Investigation

The Investigation

- 2.1. On 8 March 2024, Ofgem launched the Investigation, having established there were reasonable grounds for suspecting that the Chapter II prohibition of the Act had been infringed.
- 2.2. During the Investigation, Ofgem undertook various investigative steps to gather evidence from the SGN Group. These steps included sending formal notices requiring the production of documents and provision of information under section 26 of the Act.

The Commitments offered and consultation process

- 2.3. On 12 December 2024, Ofgem received a letter from the SGN Group expressing its willingness to offer commitments in relation to the suspected above 7 barg conduct set out above. Accordingly, and in line with the Procedural Guidance, Ofgem proceeded to discuss with the SGN Group the scope of any commitments which Ofgem considered would be necessary to address the concerns it had identified.
- 2.4. On 10 April 2025, the SGN Group initially submitted its formal Proposed Commitments. After consideration of these commitments and further discussions with the SGN Group, a final revised set of Proposed Commitments was submitted by the SGN Group on 25 July 2025.
- 2.5. On 9 September 2025, Ofgem issued a Notice of intention to accept commitments (the 'NIAC')⁹, setting out its provisional view that the Commitments would address its competition concerns, and inviting interested third parties to give their views before Ofgem would decide whether to accept the Commitments.
- 2.6. The Consultation ran for 11 working days and closed on 24 September 2025. The responses to the Consultation and Ofgem's consideration of them are summarised in Chapter 6 of this Decision.
- 2.7. Ofgem has given full consideration to all relevant material in its possession, and considers that, for the reasons set out in Chapter 6 of this Decision, it is appropriate to accept commitments to address its competition concerns. Accordingly, Ofgem has closed its Investigation with no decision made on whether or not the Act has been infringed.

⁹ [Notice of Intention to accept commitments offered by Scotia Gas Networks Ltd | Ofgem](#)

3. Background

The party and services under Investigation

- 3.1. SGN forms part of the SGN Group. The SGN Group owns Scotland Gas Networks plc (**'ScGN'**) and Southern Gas Networks plc (**'SnGN'**), who operate two of the eight regions in Great Britain under licence from Ofgem to distribute gas through their infrastructure networks (also known as **'GDNs'**). SGN's two GDNs cover the whole of Scotland and part of Southern England (which encompasses South London and the Southeast of England). In this notice, we refer to ScGN's GDN and SnGN's GDN together as the **'SGN GDN Area'**.
- 3.2. ScGN and SnGN, each holding a gas transporter licence, offer **'Connection Services'**, which in the context of above 7 barg pipeline works refers to the activity of delivering all components (including laying the new pipework) in making an extension to their respective networks, whereby new above 7 barg pipework is added to the existing SGN network in order to provide a prospective customer with an offtake (or entry) point at which gas (i.e., biomethane or any other type of gas¹⁰), can be withdrawn from (or introduced into) the SGN legacy network at a location where no such offtake (or entry) point previously existed.
- 3.3. In the SGN GDN Area, either ScGN and SnGN, as the SGN Group's licensed entities, or an independent gas transporter (**'IGT'**) active in that area, can take ownership of, and therefore responsibility for, operating and maintaining the above 7 barg pipework laid by or on behalf of a prospective connectee. In other words, the SGN Group, through its licensed entities, can decide whether to adopt (or not adopt) new above 7 barg pipework built by third parties (such as IGTs, some utility infrastructure providers (**'UIPs'**) and self-lay parties, hereafter also referred to as 'third party(ies)') into its network; or an IGT in the area can decide whether to adopt (or not adopt) such assets.

Services under Investigation: Above 7 barg Connection Services

- 3.4. Connection Services, in an above 7 barg context, involve providing a gas connection at pressures above 7 barg to customers whose premises are not yet connected to the GDN. This requires the supply and layout of new pipework to make an extension to the GDN network. GDNs, IGTs, some UIPs and self-lay parties are providers of Connection Services. A customer seeking to establish a new entry or exit point along the SGN GDN has the following options:

¹⁰ Gas as that term is defined in the Gas Safety (Management) Regulations 1996.

- a) contract with the SGN Group to extend the network to the premises, in which case the new pipework would be built by the SGN Group, the SGN Group would maintain and operate the new pipework, and the extension works would, subject to them meeting relevant contractual and policy standards, be connected to SGN's gas distribution network, or,
 - b) contract with an IGT, some UIPs or, as an alternative to those options, self-lay pipes to extend the network to the premises, in which case the new pipework can be part of the existing SGN GDN if the SGN Group adopts it or part of an IGT network if an IGT owns or adopts it (with that adopted/IGT pipeline then being connected to the SGN network). The party with which enduring ownership rested would accordingly be responsible for the management, ownership, maintenance, and operation of the new pipework including the ongoing safety and security of supply implications associated with such pipework. If not adopted by the SGN Group or owned or adopted by an IGT, that means that the connection cannot go ahead as the new pipework cannot be managed, maintained and operated by a party that does not hold a gas transportation licence under the Gas Act 1986 (unless a statutory exemption applies).
- 3.5. Connection Services include a new entry point, where gas can be physically injected into the system, or a new exit point, where gas can be off taken from the system.
 - 3.6. When GDNs or IGTs provide the above 7 barg Connection Services, they might subcontract the construction of the new pipework to third parties, which could potentially include some UIPs.
 - 3.7. The process for obtaining an above 7 barg connection from the SGN Group starts with a customer request for such a connection to the SGN Group.
 - 3.8. The process for obtaining an adoption of a new above 7 barg pipework built by a third party into the SGN network involves an 'adoption' request (also known as a 'taking ownership' request), which means that a prospective connectee requests that the SGN Group takes ownership of, and therefore responsibility for operating and maintaining, the pipework once it has been laid by or on behalf of that prospective connectee.

The relevant market

- 3.9. On the basis of its Investigation to date, Ofgem's preliminary view is that the relevant product

market for the purposes of this Investigation is no broader than the distribution of gas in the SGN GDN Area and the relevant geographic market is the SGN Group's licensed areas comprising the whole of Scotland and part of Southern England (which encompasses South London and the Southeast of England).

The SGN Group's position in the relevant market

- 3.10. In Great Britain, only one transporter licence is granted in each GDN Area. SnGN and ScGN each hold a gas transporter licence in Great Britain, making them the only GDN in the areas covered by their respective licences. Also, given the physical and economic characteristics of gas infrastructure, it is reasonable to classify GDNs as natural monopolies.
- 3.11. Based on its preliminary assessment, Ofgem's initial view is that the SGN Group, through its regulated entities, SnGN and ScGN, holds a dominant position in the distribution of gas in the SGN GDN Area.
- 3.12. In the exercise of its licensed activities, in circumstances where an IGT does not own or adopt the pipeline in question, it is Ofgem's preliminary view that the SGN Group has the power to grant or deny access to the parts of its distribution network operating at above 7 barg distribution networks for new connections by adopting or refusing to adopt above 7 barg pipework from third parties. Any decision to adopt or refuse to adopt above 7 barg pipework from third parties may have a potential impact on the provision of above 7 barg Connection Services (a closely related market in which the SGN Group is also present, and whose rivals are IGTs, and potentially some UIPs and self-layers).
- 3.13. Ofgem's preliminary view is that the SGN Group may have been abusing a dominant position in the gas distribution market in the SGN GDN Area and harming competition in the above 7 barg Connection Services market, in which it is also active, by refusing to adopt new above 7 barg pipework.

The SGN Group's conduct in the relevant market

Provision of above 7 barg Connection Services - Connection Charging Methodology (CCM) – 4B Statements

- 3.14. Prior to the update of its adoption of an above 7 barg connections policy introduced in 2018, ScGN and SnGN CCM 4B Statements (together the '**SGN CCM 4B Statements**') stated that SGN would adopt "*fit for purpose above 7 barg connections apparatus*" and customers were

“strongly advised to contact” SGN before any works in respect of the design and construction were carried out.

- 3.15. On 1 October 2018, a 4B Statement update came into effect setting out at paragraph 3.6. that SGN *“do not currently adopt any above 7Barg apparatus”*. It also continued to state that *“Customers are strongly advised to contact us to explain their intentions and to discuss the taking ownership procedure before carrying out any work in respect of the design or construction of above 7Barg apparatus that they wish SGN to take into ownership”*.
- 3.16. A further update effective from 3 April 2023, stated in paragraph 2.3. of the SGN 4B CCM Statements that the SGN Group *“will not adopt >7 bar assets or infrastructure from any third party”* and kept the wording (of the 2018 version) in paragraph 3.16 stating that the SGN Group *“do not currently adopt any above 7Barg apparatus. Customers are strongly advised to contact us to explain their intentions and to discuss the taking ownership procedure before carrying out any work in respect of the design or construction of above 7Barg apparatus that they wish SGN to take into ownership”*.
- 3.17. The SGN Group provided an explanation to Ofgem during its investigation for its updates contained in the 2018 and 2023 Statements. Among other things, the SGN Group said the following:
- a) First, the SGN Group submitted that above 7 barg projects require connection to the high-pressure transmission network which is more complex than the low-pressure transmission network.
 - b) Second, the SGN Group submitted that pipeline incidents could be very significant with consequential risk of harm to individuals and property, and security of supply, as high-pressure pipelines feed many lower pressure pipelines (in contrast to the lower safety-risk profile of the above 7 barg assets that are adopted under the SGN BIO2 policy).
 - c) Third , the significant risk profile necessitates safety precautions, and the solid design and construction of the assets is fundamental to ensuring safe operation during the life cycle of the assets, and the security of supply with which they are associated. The adoption of such assets means SGN would then take ownership of and liability for these substantial risks.
 - d) Fourth, the SGN Group also submitted that there are no industry frameworks and safety standards for adoption of above 7 barg projects, unlike below 7 barg projects;

and that there is little customer demand and little industry experience of such projects.

- e) Fifth, the SGN Group submitted that in 2018 another GDN's adoption of an above 7 barg project generated safety issues that exemplified SGN's existing concerns.
- f) Sixth, the SGN Group submitted that, in correspondence with Ofgem in 2018, SGN had explained that it remained in principle open to adopting above 7 barg assets constructed by third parties, provided that such parties could demonstrate that appropriate standards had been met or delivered prior to the adoption taking place.
- g) Seventh, the SGN Group submitted that it had not understood Ofgem to require any changes to its position.

4. Ofgem's Competition Concerns

- 4.1. This Chapter sets out Ofgem's competition concerns regarding the SGN Group's conduct. It is important to note, however, that these views are merely provisional and that no conclusion should be drawn as to whether or not there has been an infringement of competition law. This also applies to all references to Ofgem's competition concerns presented throughout this Notice.

Refusal of access to the SGN GDN

- 4.2. Ofgem's preliminary view is that the SGN Group holds a dominant position in the market for the distribution of gas in the SGN GDN Area. Ofgem has also formed a provisional view that by amending its CCM 4B Statement in 2018 and 2023, the SGN Group may have prevented (in part) some of its rivals in the above 7 barg Connection Services market from accessing the SGN network for new above 7 barg connections. Ofgem's provisional view is that the 2018 and 2023 Statement changes seem to indicate that the SGN Group may have been leveraging a dominant position in the gas distribution market into a closely related market – the above 7 barg Connection Services market in which it also competes – by foreclosing its rivals by not adopting their new above 7 barg pipework. Provisionally, this decision may have resulted in:
- a) a reduction in competition in the market for above 7 barg Connection Services in the SGN GDN Area, and
 - b) the potential to lead to higher prices, or a reduction in service levels or choice, for customers seeking to access the SGN GDN, and ultimately worse outcomes for end consumers.

Application of dissimilar conditions to equivalent transactions

- 4.3. As we have already noted in Chapter 3.17 of this Decision, the SGN Group has informed us that its 4B policy decision was justified based (amongst other factors) on safety concerns and security of supply concerns, a lack of industry frameworks and standards, and insufficient demand and industry expertise, giving rise to significant risk to the network and to individuals. Assuming those concerns are grounded in substance, Ofgem is of the view that other GDNs would have also been affected by them. However, it is Ofgem's preliminary view that those other GDNs appear to have found alternatives to address the safety concerns that the SGN Group reports without reducing the levels of competition in relation to above 7 barg Connection Services, although Ofgem has not investigated the approaches of all other GDNs

in detail.

- 4.4. In our preliminary view, the SGN Group's justifications are significantly undermined by the fact that the SGN Group has used third parties for its own above 7 barg connection works in the Relevant Period from 1 January 2017 to 8 March 2024. The SGN Group claims that when third parties are contracted to complete SGN's works, those works are not considered to be 'adopted' given that they have been undertaken under SGN's project management supervision and control.¹¹ Ofgem is also of the preliminary view that similar management and control standards could be developed by the SGN Group to facilitate the adoption of above 7 barg works carried out independently by third parties, at the expense of the party providing the connection.
- 4.5. Ofgem's preliminary view is that it is concerned that a seemingly unjustified and discriminatory approach has been applied, according to which risks are regarded as present when third parties independently undertake above 7 barg connections but appear to be less prevalent when the same works are undertaken by the same third parties on behalf of the SGN Group.
- 4.6. In addition, if, as asserted by the SGN Group, there is little industry experience of above 7 barg projects – albeit this argument is undermined by the fact that the SGN Group subcontracts with these third parties for the construction of its own pipework and third parties construct above 7 barg projects for other GDNs – our preliminary view is that we are concerned that the SGN Group's approach might have deprived industry participants of opportunities to gain more experience and, consequently, the reported concern regarding lack of industry experience would remain unresolved. Further, where there is limited scope to compete, it is even more important to protect and encourage the reduced competition that is present.

¹¹ Information provided by the SGN Group.

5. The Commitments

5.1. In order to address Ofgem’s competition concerns (as described in Chapter 4 of this Decision), the SGN Group offered the Commitments to Ofgem. The Commitments are set out in Annex I to this Decision and are summarised below.

The SGN Group Commitments

5.2. The Commitments are as follows:

- a) First is an obligation that the SGN Group shall ‘maintain a published SLO-1 audit framework setting out the process that SGN will follow to assess whether natural gas self-lay pipelines operating at above 7 barg pressures, built by or on behalf of customers seeking to establish a new entry or exit point along the SGN GDN, are suitable for adoption by SGN (excluding pipelines and assets that can be reasonably considered as downstream / upstream to the distribution system’s exit or entry point, respectively) (the “SLO-1” or “SLO-1 Policy”). The SLO-1 will cover pipelines primarily containing methane (including biomethane), together with other types of gas in the quantities permitted by the Gas Safety (Management) Regulations 1996 (the “relevant above 7 barg pipelines”)’¹².
- b) In addition to this, the SGN Group shall ‘maintain, review and update the SLO-1 as needed to ensure fitness for purposes as industry practice and regulation develops. No update will introduce a prohibition or unnecessary restrictions on the SGN Group adopting the relevant above 7 barg pipelines from third parties along the SGN GDN’.

4B Statement

5.3. The SGN Group shall ‘maintain a 4B Statement that publicises the existence of the SLO-1 and which will not include a prohibition on the SGN Group adopting the relevant above 7 barg pipelines falling within the scope of the SLO-1 from third parties. The SGN Group shall actively promote the existence of the SLO-1 on an annual basis’.

Governance

5.4. The SGN Group shall ‘adopt internal procedures to ensure that decisions taken on

¹² See Schedule 3, Part 1, Paragraph 1 of the Gas Safety (Management) Regulations 1996.

whether to adopt assets under the SLO-1 are subject to appropriate approval processes, are undertaken in reasonable periods of time, under reasonable terms and conditions and on a non-discriminatory basis’.

Policies and Procedures

- 5.5. The SGN Group shall ‘revise relevant internal and external policies and procedures (insofar as SGN identifies them as being relevant to the adoption of above 7 barg assets) to reflect the introduction of the SLO-1’.

Commitments Compliance Officer

- 5.6. The SGN Group shall ‘appoint a Commitments Compliance Officer as responsible for monitoring and reporting on SGN’s compliance with the Commitments for as long as they remain in force and to be responsible for ensuring the preparation and delivery of annual monitoring reports to Ofgem’.

Compliance Support

- 5.7. The SGN Group shall ‘ensure that all SGN Group entities support each other as appropriate in compliance with the Commitments and do not take action that might undermine SGN’s compliance with the Commitments’.

Training

- 5.8. The SGN Group shall ‘create and deliver training of an appropriate quality and standard that will be specifically targeted at compliance with competition rules relating to abuse of a dominant position. This training will include an assessment to test participants’ understanding of the rules. The training will be aimed at and delivered to all SGN Group employees (with the exception of administrative and operational ground and engineering staff). All training materials must be shared with and approved by Ofgem in advance. Subsequent updates or amendments to these materials will be reviewed and approved by the Commitments Compliance Officer annually’.

Duration

- 5.9. The SGN Group will implement the majority of the above Commitments as of the end of a two- month implementation period which will start from the date the SGN Group receives formal notification of this decision by Ofgem to accept the Commitments (the ‘**Implementation Period**’). Subject to any earlier variation or release pursuant to sections 31A(3) or 31A(4) of the Act or in accordance with paragraphs 14 to 17 of

the Commitments (discussed below), the Commitments shall take effect on the Effective Date (2 December 2025) and will remain in force for a period of five years from that date. This is until 1 December 2030.

Compliance, monitoring and reporting

5.10. The Commitments Compliance Officer will be appointed to monitor compliance with the Commitments. Ofgem must approve the appointment of the Commitments Compliance Officer.

5.11. Under the Commitments, the Commitments Compliance Officer shall:

- a) monitor the performance of the Commitments and provide a written report on the SGN Group's compliance to Ofgem on an annual basis (and aligned with the SGN Group's timetable for wider regulatory reporting activities);
- b) propose to the SGN Group measures that it considers necessary to ensure compliance with the Commitments;
- c) propose in its first report to Ofgem, to be submitted (unless agreed otherwise with Ofgem) two weeks after being appointed, a detailed work plan describing how it intends to monitor compliance with the Commitments;
- d) after becoming aware of any suspected breach, promptly report to Ofgem in writing if it reasonably suspects that the SGN Group is failing to comply with the Commitments, within one month of identifying these suspicions;
- e) reply to questions from Ofgem regarding reports provided to it under the Commitments within a reasonable time period; and
- f) engage with Ofgem throughout the duration of the Commitments regarding the monitoring compliance in a timely manner.

5.12. The Commitments Compliance Officer, shall not:

- a) participate in decisions on whether to adopt above 7 barg pipelines from third parties;
- b) have any decision-making power or powers of investigation of the kind vested in Ofgem pursuant to the Act; nor

- c) disclose confidential information to any person without the agreement of the SGN Group or Ofgem as relevant, pursuant to agreements on appropriate confidentiality obligations entered into with the SGN Group and/or Ofgem.

5.13. The Commitments provide that the SGN Group shall:

- a) provide the Commitments Compliance Officer with all co-operation, assistance, and information that is necessary to monitor the SGN Group's compliance with its obligations under these Commitments;
- b) comply with any requests by Ofgem to provide specified documents or information, which Ofgem considers relates to any matter relevant to the exercise of its powers set out in Part I, Chapter III of the Act;
- c) notify the Commitments Compliance Officer prior to any changes to the SLO-1 Policy or its 4B Statements, as well as to any other conditions and criteria, to the extent such changes may impact the SGN Group's compliance with the Commitments;
- d) to the extent that the Commitments Compliance Officer has follow-up questions on any such changes, the SGN Group will respond to these questions within a reasonable timeframe;
- e) share and maintain such information, as may be reasonably required, with the Commitments Compliance Officer for provision to Ofgem, provided that such sharing of information is considered reasonably necessary to monitor the SGN Group's compliance with its obligations under the Commitments;
- f) ensure that, in addition to being non-discriminatory, the conditions and criteria that comprise the SLO-1 Policy are 'objectively verifiable' as well as 'objectively necessary'; it will therefore be incumbent on the SGN Group to ensure that the Commitments Compliance Officer and Ofgem can review the conditions and criteria to check that they are necessary and appropriate; and
- g) as soon as possible after becoming aware of any breach, the SGN Group will:
 - (i) take all actions that are reasonably required to remedy the breach and to comply with the Commitments; and
 - (ii) inform the Commitments Compliance Officer, within seven

calendar days of the date on which the SGN Group became aware of the breach, about the breach, including providing an explanation of the circumstances in which the breach arose, and the steps the SGN Group is taking to remedy the breach.

- 5.14. To the extent that Ofgem reasonably considers that the SGN Group has failed to comply with these Commitments, the SGN Group will promptly take reasonable steps, in consultation with Ofgem, to ensure compliance with the Commitments.
- 5.15. Ofgem, on its own initiative or at the request of the Commitments Compliance Officer or the SGN Group, may give any orders or instructions to the Commitments Compliance Officer in order to ensure the SGN Group's compliance with the Commitments.

Non-Circumvention

- 5.16. The SGN Group shall not circumvent or attempt to circumvent these Commitments either directly or indirectly by any act or omission.

Complaint Mechanism

- 5.17. The Commitments also provide for a complaint mechanism that allows third-party above 7 barg Connection Services providers suspecting non-compliance with these Commitments to submit a written complaint to the Commitments Compliance Officer, setting out the relevant facts, and attaching the relevant supporting evidence and documentation. No later than two weeks after Ofgem's approval of the appointment of the Commitments Compliance Officer, the SGN Group, together with the Commitments Compliance Officer, will make available in an adequate and sufficiently prominent and durable manner the postal and digital contact details for any such submission.

6. Ofgem's assessment of the appropriateness of Commitments and the Consultation responses

- 6.1. This chapter sets out Ofgem's assessment of the Commitments against the criteria set out in the CMA's Procedural Guidance and the reasons why, having taken careful account of all the information available, including all of the views that Ofgem received in response to the Consultation, Ofgem considers it appropriate to accept the Commitments.
- 6.2. Ofgem received a single representation from the consultation advising that they have no objections and expressed their support for the measures introduced through the Commitments.

Commitments in Competition Act cases

- 6.3. Pursuant to section 31A of the Act, for the purposes of addressing the competition concerns it has identified, Ofgem may accept from such person (or persons) concerned as it considers appropriate, commitments to take such action (or refrain from taking such action) as it considers appropriate.
- 6.4. Commitments are a means of resolving investigations more quickly and efficiently. In summary, Ofgem accepts binding promises from one or more parties under investigation in relation to their future conduct to address the competition concerns identified by Ofgem. The Competition Appeal Tribunal has noted that the '*power to accept binding commitments is intended to allow it to resolve cases more quickly and efficiently by avoiding the need for a full investigation, thereby enabling the CMA to use its limited resources for a broader range of enforcement purposes*'.¹³
- 6.5. Ofgem cannot require parties to an investigation to offer commitments or to offer particular commitments. It is solely for each party to an investigation to determine what, if any, commitments they are willing to offer. Ofgem then assesses whether any commitments offered should or should not be accepted. To accept commitments, Ofgem must consider that the commitments offered will address the competition concerns. Ofgem has identified, in the exercise of its discretion, that it is appropriate to accept commitments in the case in question.¹⁴
- 6.6. Ofgem has broad discretion in determining which cases are suitable for commitments and whether the commitments offered should be accepted.¹⁵ The Competition Appeal Tribunal has acknowledged that, in the exercise of the authority's judgement when accepting commitments, it is legitimate for the authority to '*strike a balance*' in terms of the appropriate level of intervention in a

¹³ Skyscanner Limited v Competition and Markets Authority [2014] CAT 16, at [21]

¹⁴ See paragraphs 10.15 - 10.21 of the Procedural Guidance.

¹⁵ See paragraphs 10.18 - 10.21 of the Procedural Guidance.

case, provided that in doing so, it takes proper account of material points drawn to its attention and avoids obvious error.¹⁶

The Procedural Guidance

- 6.7. In order to accept commitments, Ofgem must consider that the commitments offered will address the competition concerns Ofgem has identified and Ofgem must consider, in the exercise of its discretion, that it is appropriate to accept commitments in the case in question.¹⁷
- 6.8. In considering whether and how to exercise that discretion, Ofgem has had regard to the relevant guidance published by the CMA. The guidance sets out the circumstances in which it may be appropriate to accept Commitments, as required by section 31D of the Act.¹⁸ Relevant aspects of the guidance are summarised briefly below. References to the CMA in the guidance are replaced by references to the Authority in the interests of clarity.
- 6.9. Having regard to the guidance, Ofgem has considered it appropriate to accept binding commitments where:
- a) the competition concerns are readily identifiable,
 - b) the competition concerns are addressed by the Commitments offered, and
 - c) the Commitments are capable of being implemented effectively and, if necessary, within a short period of time.
- 6.10. The procedural guidance further states that it will not be appropriate to accept binding commitments where compliance with them and their effectiveness would be difficult to discern or where not to complete the Investigation and make a decision would undermine deterrence.¹⁹ It would also be unlikely to accept commitments in relation to the serious abuses of a dominant position.²⁰ Given that the conduct in question is not considered inherently likely to produce particularly serious exploitative or exclusionary outcomes, Ofgem takes the preliminary view that commitments are a suitable resolution in this instance.

Ofgem's assessment

- 6.11. Ofgem has assessed the Commitments against the criteria referred to in

¹⁶ Skyscanner Limited v Competition and Markets Authority [2014] CAT 16, at [130] and [132].

¹⁷ Procedural Guidance, paragraphs 10.15 - 10.26.

¹⁸ Paragraphs 10.18 to 10.21 of Guidance on the CMA's Investigation procedures in Competition Act 1998 cases: CMA8.

¹⁹ Procedural Guidance, paragraph 10.21.

²⁰ Procedural Guidance, paragraph 10.20.

paragraphs 6.9 to 6.10 above and sets out its conclusion below.

The competition concerns are readily identifiable

6.12. Ofgem considers, having assessed all relevant evidence including the response received in response to the Consultation, that the competition concerns, which are set out in Chapter 4 of this Decision, are readily identifiable. No issues regarding whether Ofgem's competition concerns were not readily identifiable were raised during the Consultation.

The Commitments address Ofgem's competition concerns

6.13. Ofgem's assessments, taking into account the view received in response to the Consultation, of whether the Commitments address each of its competition concerns, and of the appropriateness of the duration of the Commitments, are set out below.

Refusal of access to the SGN GDN and application of dissimilar conditions to equivalent transactions

6.14. Ofgem considers that the Commitments adequately address its competition concerns regarding equal access to the SGN GDN for third-party connections exceeding 7 barg, as detailed in paragraphs 4.2 to 4.6.

6.15. The Commitments will ensure that the SGN Group enables third party above 7 barg Connection Services providers to request access to connect with the SGN GDN following a publicised process. The SGN Group will also provide clear guidance in their SLO-1 audit framework, setting out the process that the SGN Group will follow to assess whether gas self-lay pipelines operating at above 7 barg pressures, built by or on behalf of customers seeking to establish a new entry or exit point on the SGN network, are suitable for adoption by the SGN Group. The Commitments also ensure that the SGN Group cannot, by way of policy updates, introduce a prohibition or unnecessary restrictions on the SGN Group adopting above 7 barg pipelines from third parties at any time in the future.

6.16. Ofgem considers that the above-mentioned changes would: (a) further facilitate access to the SGN GDN by some of SGN Group's rivals in the above 7 barg Connection Services market; and (b) prevent any unjustified discrimination in relation to above 7 barg connections, that is whether constructed by third parties on behalf of the SGN Group or independently. Ofgem's provisional view is that this may lead to an increase in the levels of competition in the provision of above 7 barg Connection Services in the SGN GDN Area, which in turn may lead to lower prices, and more choice for customers seeking to access the SGN gas distribution network.

6.17. The respondent to the Consultation welcomed the initiatives to address

competition concerns in the provision of above 7 barg Connection Services and affirmed its support for ensuring transparent and non-discriminatory access to gas distribution networks.

Duration

6.18. Ofgem considers that the duration of the Commitments is appropriate given that:

- a) the duration of the Commitments is sufficient to ensure that third-party Connection Services providers, and customers, will benefit from the changes they bring about;
- b) the market may change in coming years and accepting commitments that apply on a permanent basis would risk them becoming outdated or obsolete;²¹
- c) The length of a standard above 7 barg connection project is typically expected to be between two and five years. The duration of the Commitments is therefore sufficient to ensure that the SGN Group gains the necessary experience, which should translate into a change in competition culture;
- d) if competition concerns recur once the Commitments have expired, Ofgem would be able to open a new case under the Act to investigate such concerns.

The Commitments are capable of being implemented effectively and within a short period

6.19. The SGN Group can implement the access-related Commitments by introducing policies and monitoring mechanisms, thereby allowing access to the parts of the SGN network operating at above 7 barg.

6.20. The SGN Group will implement access-related Commitments by setting and assessing the conditions and criteria on which such access is based.

6.21. The SGN Group will implement the access-related Commitments by enabling third party above 7 barg Connection Services providers to request access to connect with the above 7 barg SGN network following a publicised process.

²¹ While Ofgem has a power, under s31(A) of the Act, to release a party from commitments where it has reasonable grounds for believing that the competition concerns no longer arise, Ofgem's expectation is that this would require detailed consideration of the market conditions and entail the expenditure of potentially significant Ofgem resources which could otherwise be employed on other Ofgem work.

6.22. The SGN Group has committed to implement the Commitments within a short period of time of being formally notified of Ofgem's commitments decision.

6.23. As such, Ofgem is satisfied that the Commitments are capable of being implemented effectively and within a short period of time.

Compliance with the Commitments and their effectiveness would not be difficult to discern

6.24. Ofgem considers that the monitoring and reporting processes and activities that will be implemented and undertaken pursuant to paragraphs 20 to 30 of the Commitments mean that the SGN Group's compliance with the Commitments and their effectiveness will not be difficult to discern.

6.25. In this respect, the SGN Group's compliance with the Commitments will be closely monitored. In particular:

- a) Ofgem will ensure that an appropriate Commitments Compliance Officer is appointed to monitor the SGN Group's compliance with the Commitments and to report to Ofgem. Ofgem must approve the appointment of the Commitments Compliance Officer;
- b) The SGN Group will be required to provide the Commitments Compliance Officer with all co-operation, assistance, and information that is necessary to monitor the SGN Group's compliance with its obligations under the Commitments;
- c) Ofgem will engage with the Commitments Compliance Officer and the SGN Group throughout the duration of the Commitments regarding the monitoring of compliance;
- d) the Commitments include a complaints mechanism for the reporting of any third-party above 7 barg Connection Services providers' concerns. Businesses engaged in providing above 7 barg Connection Services are able to see from this Decision that they may bring non-compliance to Ofgem's attention.

6.26. In addition, the SGN Group will be required to report to the Commitments Compliance Officer of any changes to the SLO-1 Audit Framework or its Connection Charging Methodology – 4B Statements, as well as to any other conditions and criteria, to the extent such changes may impact the SGN Group's compliance with the Commitments.

6.27. Further, Ofgem notes that the SGN Group must ensure that, in addition to being

non- discriminatory, the conditions and criteria that comprise the SLO-1 Audit Framework are ‘objectively verifiable’ as well as ‘objectively necessary’; it will therefore be incumbent on the SGN Group to ensure that:

- a) the Commitments Compliance Officer and Ofgem can review the conditions and criteria to check that they are necessary and appropriate, and
- b) The SGN Group will comply with any requests by Ofgem to provide specified documents or information, which Ofgem considers relates to any matter relevant to the exercise of its powers set out in Part I, Chapter III of the Act.

6.28. So, Ofgem does not consider that compliance with the Commitments, their effectiveness or the suitability of the conditions and criteria would be difficult to discern. Furthermore, the Consultation respondent did not raise any concerns regarding compliance with the Commitments or the ability to assess their effectiveness being difficult to discern.

Acceptance of the Commitments would not undermine deterrence

6.29. Ofgem considers that acceptance of the Commitments would not undermine deterrence. Ofgem considers that its Investigation and any decision to accept binding commitments should deter the SGN Group from engaging in similar conduct. The fact that the SGN Group offered commitments early in the Investigation is consistent with this view.

6.30. Publication of the facts that Ofgem has investigated the behaviour of the SGN Group and has accepted the Commitments should send a deterrent message, more generally, within the gas distribution sector and the broader energy sector, about Ofgem’s monitoring of the market and willingness to use its powers under the Act.

6.31. More generally, Ofgem considers that its Investigation and any decision to accept binding commitments should help to indicate to undertakings how Ofgem will assess similar conduct.

6.32. No concerns were raised by the Consultation respondent regarding any deterrent impact associated with the acceptance of the Commitments.

6.33. Finally, the Commitments would not preclude Ofgem from taking further enforcement action in relation to other suspected breaches of competition law, or in related markets, where these raise competition concerns.

7. Ofgem's Decision

7.1. For the reasons set out in this Decision, Ofgem has concluded that the Commitments set out in Annex I to this Decision address Ofgem's competition concerns (set out in Chapter 4 of this Decision) and that it is appropriate to accept the Commitments for the purpose of addressing those competition concerns.

7.2. Accordingly:

- a) Ofgem has decided to accept the Commitments by means of this Decision; and
- b) Ofgem will discontinue its investigation with effect from the date of this Decision.

Signed

Charles Hargreaves

Senior Responsible Officer and Deputy Director Enforcement

For and on behalf of the Office of Gas and Electricity Markets

Date:

Annex I: The Commitments

Commitments Proposal to Ofgem

- (1) On 8 March 2024, the Gas and Electricity Markets Authority (collectively referred to herein as “GEMA” or “Ofgem”) commenced an investigation, under section 25 of the Competition Act 1998 (“Act”) in relation to suspected behaviour pertaining to the SGN Group’s approach in relation to the adoption of above 7 barg connections provided by third parties in the SGN GDN Area. The SGN Group has offered the following voluntary Commitments in accordance with section 31A of the Act on the basis that such Commitments would result in Ofgem closing the investigation. Terms that are capitalised within this Commitments text are as defined in Annex II.
- (2) The SGN Group’s offer of Commitments does not constitute admission of wrongdoing. Nothing in these Commitments may be construed as implying that the SGN Group agrees with any competition concerns expressed by Ofgem in its investigation, including in the Notice of Intention to Accept Commitments of 9 September 2025, any Commitments Decision and any preliminary views on suspected dominance or suspected conduct. Ofgem has made no determination as to the existence of an infringement of competition law, and the SGN Group has not been the subject of any infringement decision or statement of objections in respect of the investigation.
- (3) Consistent with sections 31A and 31B of the Act, and subject to section 31B(4) of the Act, the Commitments have been offered on the understanding that Ofgem accepts the Commitments in accordance with section 31A(2) of the Act, it will not continue the investigation, or make any decision within the meaning of section 31(2) of the Act, or give a direction under section 35 of the Act, and will instead close the proceedings opened on 8 March 2024.
- (4) The Commitments are designed to fully address the above 7 barg competition concerns investigated by Ofgem.
- (5) These Commitments are without prejudice to the SGN Group’s position should Ofgem or any other party conduct proceedings or commence any other legal action against the SGN Group in a matter covered by these Commitments.

I. COMMITMENTS

Commitment 1: Maintain a published SLO-1 audit framework

- (6) As of the end of the Implementation Period, the SGN Group shall ‘maintain a published SLO-1 audit framework setting out the process that SGN will follow to

assess whether natural gas self-lay pipelines operating at above 7 barg pressures, built by or on behalf of customers seeking to establish a new entry or exit point along the SGN GDN, are suitable for adoption by SGN (excluding pipelines and assets that can be reasonably considered as downstream / upstream to the distribution system's exit or entry point, respectively) (the **"SLO-1" or "SLO-1 Policy"**). The SLO-1 will cover pipelines primarily containing methane (including biomethane), together with other types of gas in the quantities permitted by the Gas Safety (Management) Regulations 1996 (the **"relevant above 7 barg pipelines"**)²².

Commitment 2: Policy updates - review and update the SLO-1 audit framework

- (7) The SGN Group shall 'maintain, review and update the SLO-1 as needed to ensure fitness for purpose as industry practice and regulation develops. No such update will introduce a prohibition or unnecessary restrictions on the SGN Group adopting the relevant above 7 barg pipelines from third parties along the SGN GDN'.

Commitment 3: Maintain a 4B Statement that publicises the existence of the SLO-1

- (8) As of the end of the Implementation Period, the SGN Group shall 'maintain a 4B Statement that publicises the existence of the SLO- 1 and which will not include a prohibition on the SGN Group adopting the relevant above 7 barg pipelines falling within the scope of the SLO-1 from third parties. The SGN Group shall actively promote the existence of the SLO-1 on an annual basis'.

Commitment 4: Governance – adopt internal procedures to ensure decisions taken on whether to adopt assets under the SLO-1 are subject to appropriate approval processes

- (9) As of the end of the Implementation Period, the SGN Group shall 'adopt internal procedures to ensure that decisions taken on whether to adopt assets under the SLO-1 are subject to appropriate approval processes, are undertaken in reasonable periods of time, under reasonable terms and conditions and on a non-discriminatory basis'.

Commitment 5: Policies and Procedures

- (10) As of the end of the Implementation Period, the SGN Group will 'revise relevant internal and external policies and procedures (insofar as SGN identifies them as being relevant to the adoption of above 7 barg assets) to reflect the introduction of the SLO-1'.

²² See Schedule 3, Part 1, Paragraph 1 of the Gas Safety (Management) Regulations 1996.

Commitment 6: Commitments Compliance Officer

- (11) The SGN Group will ‘appoint a Commitments Compliance Officer as responsible for monitoring and reporting on SGN’s compliance with the Commitments for as long as they remain in force and to be responsible for ensuring the preparation and delivery of annual monitoring reports to Ofgem’.

Commitment 7: Compliance Support

- (12) As of the end of the Implementation Period, the SGN Group will ‘ensure that all SGN Group entities support each other as appropriate in compliance with the Commitments and do not take action that might undermine SGN’s compliance with the Commitments’.

Commitment 8: Training

- (13) The SGN Group will ‘create and deliver training of an appropriate quality and standard that will be specifically targeted at compliance with competition rules relating to abuse of a dominant position. This training will include an assessment to test participants’ understanding of the rules. The training will be aimed at and delivered to all SGN Group employees (with the exception of administrative and operational ground and engineering staff). All training materials must be shared with and approved by Ofgem in advance. Subsequent updates or amendments to these materials will be reviewed and approved by the Commitments Compliance Officer annually’. As of the end of the Implementation Period (unless agreed otherwise), training materials must have been shared with Ofgem for approval.

III. SCOPE AND DURATION

- (14) These Commitments apply to the SGN Group. These Commitments comprise the entire extent of the SGN Group’s Commitments to Ofgem with respect to the investigation initiated on 8 March 2024.
- (15) Having been signed by the SGN Group, these Commitments shall take effect from the Effective Date which will start from the date the SGN Group receives formal notification of a decision by Ofgem to accept the Commitments (2 December 2025). The Commitments will remain in force for a period of five years from the Effective Date. This is until 1 December 2030.
- (16) The SGN Group may request that Ofgem review the Commitments with a view to their variation, substitution, or release in accordance with section 31A and schedule 6A of the Act (with any such review being at Ofgem’s discretion).
- (17) Ofgem will publish notice of the termination of these Commitments, including

the date of such termination.

IV. NON-CIRCUMVENTION

- (18) The SGN Group shall not circumvent or attempt to circumvent these Commitments either directly or indirectly by any act or omission.

V. COMPLAINT MECHANISM

- (19) Third Party above 7 barg Connection Services providers suspecting non-compliance with these Commitments may submit a written complaint to the Commitments Compliance Officer, setting out the relevant facts and attaching the relevant supporting evidence and documentation. No later than two weeks (unless agreed otherwise with Ofgem) after Ofgem's approval of the appointment of the Commitments Compliance Officer, the SGN Group, together with the Commitments Compliance Officer, will make available in an adequate and sufficiently prominent and durable manner the postal and digital contact details for any such submission.

VI. MONITORING PROCESS

Appointment of the Commitments Compliance Officer

- (20) No later than two weeks after the Effective Date, the SGN Group shall submit to Ofgem details of the proposed Commitments Compliance Officer who has been approved and appointed to monitor the Commitments in this case.
- a) The proposal shall include:
- (i) the full terms of the proposed mandate, which shall include all provisions necessary to enable the Commitments Compliance Officer to fulfil its duties under these Commitments; and
 - (ii) the outline of a plan which describes how the Commitments Compliance Officer intends to carry out its assigned tasks.
- b) Ofgem must give reasons in case of rejection of the approved Commitments Compliance Officer, and reasons supporting the need for any modifications.
- c) The Commitments Compliance Officer shall (unless agreed otherwise with Ofgem) be appointed, with the prior approval of Ofgem, within four weeks of the Effective Date, in accordance with the mandate approved by Ofgem.

New proposal(s) by the SGN Group

- (21) If Ofgem rejects the Commitments Compliance Officer which has been approved and appointed to monitor the Commitments in this case, the SGN Group shall submit the names of at least two more persons within one month of being informed of the rejection, providing the same information as set out earlier.

Monitoring Trustee nominated by Ofgem

- (22) If all further proposed Commitments Compliance Officers are rejected by Ofgem, Ofgem shall nominate a Monitoring Trustee, whom the SGN Group shall appoint, or cause to be appointed, within one month following the nomination, in accordance with a trustee mandate approved by Ofgem.

Replacement, discharge, and reappointment of the Commitments Compliance Officer

- (23) If the Commitments Compliance Officer ceases to perform its functions under these Commitments (including as a result of ceasing to be an SGN employee) or for any other good cause:
- a) Ofgem may, after hearing the Commitments Compliance Officer, require the SGN Group to replace the Commitments Compliance Officer; or
 - b) The SGN Group, with the prior approval of Ofgem, may replace the Commitments Compliance Officer.
- (24) If the Commitments Compliance Officer is to be replaced, the new Commitments Compliance Officer shall be appointed in accordance with the procedure described in Clause 20 above. The SGN Group will propose a new Commitments Compliance Officer to Ofgem no later than four weeks after Ofgem requires or approves the SGN Group replacing the Commitments Compliance Officer under Clause 23 above.

Duties and obligations of the Commitments Compliance Officer

- (25) The Commitments Compliance Officer will be appointed to monitor compliance with the Commitments. Ofgem must approve the appointment of the Commitments Compliance Officer.
- (26) Under the Commitments, the Commitments Compliance Officer shall:

- a) monitor the performance of the Commitments and provide a written report on the SGN Group's compliance to Ofgem on an annual basis (and aligned with the SGN Group's timetable for wider regulatory reporting activities);
- b) propose to the SGN Group measures that it considers necessary to ensure compliance with the Commitments;
- c) propose in its first report to Ofgem, to be submitted (unless agreed otherwise with Ofgem) two weeks after being appointed, a detailed work plan describing how it intends to monitor compliance with the Commitments;
- d) after becoming aware of any suspected breach, promptly report to Ofgem in writing if it reasonably suspects that the SGN Group is failing to comply with the Commitments, within one month of identifying these suspicions;
- e) reply to questions from Ofgem regarding reports provided to it under the Commitments within a reasonable time period; and
- f) engage with Ofgem throughout the duration of the Commitments regarding the monitoring compliance in a timely manner.

(27) The Commitments Compliance Officer, shall not:

- a) participate in decisions on whether to adopt above 7 barg pipelines from third parties;
- b) have any decision-making power or powers of investigation of the kind vested in Ofgem pursuant to the Act; nor
- c) disclose confidential information to any person without the agreement of the SGN Group or Ofgem as relevant, pursuant to agreements on appropriate confidentiality obligations entered into with the SGN Group and/or Ofgem.

Duties and obligations of the SGN Group

(28) The Commitments provide that the SGN Group shall:

- a) provide the Commitments Compliance Officer with all co-operation, assistance, and information that is necessary to monitor the SGN Group's compliance with its obligations under these Commitments;
- b) comply with any requests by Ofgem to provide specified documents or information, which Ofgem considers relates to any matter relevant to the exercise of its powers set out in Part I, Chapter III of the Act;
- c) notify the Commitments Compliance Officer prior to any changes to the

SLO-1 Policy or its 4B Statements, as well as to any other conditions and criteria, to the extent such changes may impact the SGN Group's compliance with the Commitments;

- d) to the extent that the Commitments Compliance Officer has follow-up questions on any such changes, the SGN Group will respond to these questions within a reasonable timeframe;
 - e) share and maintain such information, as may be reasonably required, with the Commitments Compliance Officer for provision to Ofgem, provided that such sharing of information is considered reasonably necessary to monitor the SGN Group's compliance with its obligations under the Commitments;
 - f) ensure that, in addition to being non-discriminatory, the conditions and criteria that comprise the SLO-1 Policy are 'objectively verifiable' as well as 'objectively necessary'; it will therefore be incumbent on the SGN Group to ensure that the Commitments Compliance Officer and Ofgem can review the conditions and criteria to check that they are necessary and appropriate; and
 - g) as soon as possible after becoming aware of any breach, the SGN Group will:
 - (i) take all actions that are reasonably required to remedy the breach and to comply with the Commitments; and
 - (ii) inform the Commitments Compliance Officer, within seven calendar days of the date on which the SGN Group became aware of the breach, about the breach, including providing an explanation of the circumstances in which the breach arose, and the steps the SGN Group is taking to remedy the breach.
- (29) To the extent that Ofgem reasonably considers that the SGN Group has failed to comply with these Commitments, the SGN Group will promptly take reasonable steps, in consultation with Ofgem, to ensure compliance with the Commitments.
- (30) Ofgem, on its own initiative or at the request of the Commitments Compliance Officer or the SGN Group, may give any orders or instructions to the Commitments Compliance Officer in order to ensure the SGN Group's compliance with the Commitments.

ANNEX II: DEFINITIONS

‘4B statement’ refers, for the purposes of this Notice, to SGN’s Connection Charging Methodology and Standard Condition 4B Statement, the latest published versions of which are available [here](#). This document (among other functions) is used by SGN to determine the charges specified for a range of activities that are discussed therein.

‘Above 7 barg connection’ refers to a connection that connects to a pipeline that operates at greater than 7 barg of pressure. Unlike the above 7 barg connections, below 7 barg connections operate at lower than or equal to 7 barg of pressure.

‘Adoption Services’ refers to a GDN taking ownership of, and therefore responsibility for operating and maintaining the assets/pipework laid by or on behalf of a prospective connectee. This includes taking responsibility for the long-term safety of the asset and the long-term security of supply obligations associated with that asset.

‘CMA’ means Competition and Markets Authority.

‘Commitments’ means the commitments given by SGN hereunder, pursuant to section 31A of the Act.

‘Commitments Compliance Officer’ means a senior SGN employee appointed pursuant to Commitment 6 and with the prior approval of Ofgem whose function is to monitor compliance with the Commitments.

‘Commitments Decision’ means a formal decision by Ofgem under section 31A CA98 to accept these Commitments such that section 31B CA98 applies with respect to Ofgem’s Investigation relating to SGN’s alleged refusal to adopt above 7 barg apparatus, assets, or infrastructure from third parties.

‘Connection Services’ means the supply and lay of new pipework to make an extension to the gas distribution network to allow an offtake (or entry) point at which gas can be withdrawn from (or introduced into) the GDN at a location where no such offtake (or entry) point previously existed.

‘Effective Date’ means the date upon which SGN receives formal notification of a Commitment Decision by which Ofgem makes the Commitments binding on SGN.

‘GDN’ means a gas distribution network which is a specific geographic area for which Ofgem has granted a licence to provide gas transportation services.

‘Gas Transporter’ owns and operates the pipelines through which gas is transported across the country to end users. This is a licenced activity and is regulated by Ofgem.

‘IGTs’ means Independent Gas Transporters. IGTs are licenced by Ofgem to own and operate gas pipelines in areas not covered by the national gas grid such as new housing developments, industrial sites, and rural locations. Unlike GDNs, IGTs are not limited to a particular geographic area and, therefore, they can own and operate gas networks across England, Scotland, and Wales.

‘Implementation Period’ means a period of two months from the Effective Date.

‘Monitoring Trustee’ refers to an individual or entity that may be appointed by the SGN Group to monitor SGN’s compliance with the Commitments, pursuant to Clause 22 of the Commitments.

‘Natural Gas’ has the meaning given to ‘gas’ defined in the Gas Safety (Management) Regulations 1996, which includes methane and biomethane. ‘

Relevant Period’ is defined as 1 January 2017 to 8 March 2024.

‘SGN GDN’ means the gas distribution network in respect of which Southern Gas Networks plc and Scotland Gas Networks plc respectively hold a gas transportation licence in Great Britain.

‘SGN GDN Area’ means those geographic areas in Great Britain in respect of which Southern Gas Networks plc and Scotland Gas Networks plc respectively hold a gas transporter licence. Scotland Gas Networks plc is the gas distribution network covering the entirety of Scotland. Southern Gas Networks plc is the gas distribution network for the South and Southeast of London, covering Milton Keynes in the North, to Dover in the East and Lyne Regis in the West, including London boroughs to the South of the River Thames.

‘SGN Group’ or **‘SGN’** refers to Scotia Gas Networks Limited and its wholly owned subsidiaries, being a group of companies, whose responsibilities include, among other things, operating and maintaining the SGN GDN.

‘ScGN’ means Scotland Gas Networks plc, the gas distribution network covering the entirety of Scotland.

‘SnGN’ means Southern Gas Networks plc, the gas distribution network for the South and Southeast of London, covering Milton Keynes in the North, to Dover in the East and Lyme Regis in the West, including London boroughs to the South of the River Thames.

‘Third party(ies)’ means any entity(ies) that provide above 7 barg Connection Services apart from SGN.

‘UIP’ means Utility Infrastructure Provider, and this is a third-party company that provides a gas connection or service and is authorised to construct and install new gas infrastructure, like connecting a property to the gas mains, on behalf of the main gas

network operator, instead of the network operator directly. The majority of UIPs are accredited under the Gas Industry Registration Scheme (GIRS), a framework which sets out standards for work associated with the construction of new gas infrastructure operating up to 7 barg of pressure.