

To:

Cadent Gas Limited

Date: 12 December 2025

Direction under Special Condition 3.9 of the Gas Transporter Licence held by Cadent Gas Limited to add allowances for the Net Zero Pre-construction work and Small Net Zero Projects Re-opener.

General

1. Cadent Gas Limited ('the Licensee') is the holder of a licence granted or treated as granted under section 7 of the Gas Act 1986 ('the Act').
2. Special Condition ('SpC') 3.9 provides a re-opener mechanism by which the Licensee may seek additional funding during the RIIO-2 price control period for Net Zero Pre-Construction Work and Small Net Zero Projects.
3. The Licensee applied under SpC 3.9 on 31 January 2025 for funding relating to Vehicle-Based Advanced Leak Detection ('the Project'). The Authority publicly consulted on its Draft Determinations between 18 July 2025 and 26 August 2025. The consultation included a draft of this direction, as required by Part C of SpC 3.9.
4. We received two responses and have placed those responses on our website. Having considered those responses, we have decided to proceed with making this direction.

Approved funding for the Project

5. The approved amount is £16.380m in 2018/19 values. Further detail on the funding values are set out in our decision published on 12 December 2025.
6. The approved amount of £16.380m will be funded through the NZP_t term within SpC 3.9. Annex 1 sets out the amounts to be recovered in each Regulatory Year. In addition to the funding approved, the Licensee will provide a contribution of £2.050m in 2018/19 values.

Project funding conditions

7. In accordance with Special Condition 3.9 and the NZASP Re-opener Governance Document, the Licensee must comply with the following conditions in undertaking the Project. It must:
 - a. undertake the Project in accordance with the description set out in its re-opener application,
 - b. complete all the deliverables relating to the Project as set out in Annex 2 of this direction,
 - c. inform the Authority promptly in writing of any material change to the cost of the Project or any material event or circumstance that is likely to delay the Project or affect its ability to deliver the Project as set out in its submission; and,
 - d. as part of the close-down report, set out how it has completed the deliverables set out in Annex 2 below.

The Office of Gas and Electricity Markets

10 South Colonnade, Canary Wharf, London, E14 4PU Tel 020 7901 7000

www.ofgem.gov.uk

8. If the Licensee fails to comply with a condition imposed by this direction, the Authority will make use of this report in considering whether any funding should be returned to consumers, pursuant to Part A of Special Condition 3.9.
9. We also consider it best practice for the Licensee to share learnings from the Project, including publishing the learnings on the Licensee's website.

NOW THEREFORE,

10. This direction is issued pursuant to SpC 3.9 and sets out approved funding, adjustments to the value of the relevant term NZP_t and the Regulatory Years to which that adjustment relates. These are set out in Annexes 1 and 2 of this direction.

11. This direction will take effect immediately. This direction constitutes notice stating the reasons for the decision for the purposes of section 38A of the Act.

Yours sincerely,

Pete Wightman

Deputy Director Price Control Operations

For and on behalf of the Authority

Annex 1: SpC 3.9 Net Zero Pre-construction Work and Small Net Zero Projects (£m, 2018/19 prices)

Distribution Network/Regulatory Year	2021/22	2022/23	2023/24	2024/25	2025/26	Total
EoE	0.000	0.000	0.000	0.000	7.690	7.690
Lon	0.000	0.000	0.000	0.000	0.890	0.890
NW	0.000	0.000	0.000	0.000	4.310	4.310
WM	0.000	0.000	0.000	0.000	3.490	3.490

The Office of Gas and Electricity Markets

10 South Colonnade, Canary Wharf, London, E14 4PU Tel 020 7901 7000

www.ofgem.gov.uk

Annex 2: Project deliverables

This annex sets out our requirements that Cadent will be held to account for delivering through this project. Should Cadent be unable to meet these deadlines, it must notify Ofgem of this at least two weeks beforehand, setting out the reasons for the delay and a revised submission date.

Reference	Proposed project deliverable	Indicative deadline	Evidence
1	Final vehicle-based ALD roll out report	31/03/26	<p>The report should set out:</p> <p>1. Vehicle-based ALD capacity vs re-opener targets:</p> <ul style="list-style-type: none">a) Number of units purchased,b) Number of units mobilised,c) Length of network surveyed,d) Follow on interventions commissioned. <p>2. Progress update on emissions estimation method capability.</p>
2	Mobilisation of full LP/MP network coverage capacity	31/03/26	Evidence showing survey capacity.