



Appendix to the Annual Performance Report

Gas Distribution: 2024/2025

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Making a positive difference
for energy consumers

Introduction

In July of each reporting year, each Gas Distribution Network (GDN) business must submit information outlining their performance in relation to:

- their actual costs incurred up to 31 March of that year and forecast costs to the end of the price control period, and
- the outputs we set under the RIIO (Revenue = Incentives + Innovation + Outputs) framework.¹

We analyse this information and examine any variations in GDN performance against their annual output targets, as well as the expected under and over-spend across specific activities and cost categories. Additionally, we engage with each GDN to discuss the technical aspects of their submissions, known as Supplementary Questions, or SQs, and participate in direct discussions at annual company visits on specific points. This process helps us gain a deeper understanding of the factors influencing delivery to date and looking forward.

Separate annual reports are produced for each energy sector (Electricity Transmission, Gas Transmission, Gas Distribution and Electricity Distribution). This appendix is focused on the incentive, cost and output performance of the Four gas distribution companies under the RIIO-GD2 framework.

Structure of the document

Section One provides background information on the design of the RIIO-2 framework.

Section Two provides further detail of GDNs' performance against output delivery performance and annual incentive targets.

Section Three presents our overview of each GDN's expenditure, comparing it to the adjusted allowance per cost category over the first four years of RIIO-2. It also includes projections for anticipated performance during the remaining years of the five-year price control period for each cost category.

Section Four provides further details on Capital Projects PCDs, including the project description and output, delivery date, project allowance, current status, and company information.

Section Five provides a summary of GDN performance against bespoke PCDs.

¹ The Regulatory Instructions and Guidance (RIGs) require GDNs to provide information to Ofgem. We used the information provided in the RIGs in preparation of this Annual Report.

Section One: RIIO-2 background information

Building blocks of totex

Three main categories of allowances were established in the RIIO-2 price control:

1. Ex-ante (upfront) allowance

At the outset of the price control, we set an original 'baseline' allowance, which determines the revenue that GDNs can earn. This five-year allowance, prescribed in the FD document, was based on the knowledge of projects that were reasonably certain to proceed at the time of settlement. It reflected areas of work where there was an established customer-driven need or for works not linked to specific outputs due to their unique nature (referred to as “non-variant” within the RIIO-GD2 framework).

2. Allowances driven by uncertainty mechanisms (UMs)

A range of UMs provide access to revenue during RIIO-2 as the need, cost or timing of works becomes clearer. These mechanisms ensure that RIIO-2 has flexibility to adapt as the pathways to CP30 and Net Zero become clearer and that consumers fund projects only when there is clear evidence of their benefit.

There are three main types of UM for gas distribution:²

- **Volume drivers** adjust allowances in line with actual volumes where the volume of work required over the price control is uncertain (but where the cost of each unit is stable).
- Where the degree of uncertainty is too great to allow for an automatic UM, and for matters that could not be predicted with any certainty at the outset of RIIO-2, we set **re-openers** that allow us to robustly assess network companies' proposals. A notable example is the New Large Load Connections reopener mechanism.
- **Use-it-or-lose-it** (UIOLI) mechanisms adjust allowances where the need for work has been identified, but the specific nature of work or costs are uncertain.

There are also other elements of the RIIO-2 framework where GDNs have access to revenue during the price control period.

3. PCDs

These are a key component of the RIIO-2 framework where company-specific funding is linked to the delivery of outputs specified in each RIIO-2 licence.³ The PCD assessment framework provides an adjustment to the level and timing of allowances in the event the output is either not delivered, not delivered to the specification required, or delivered late.

² In total, there are five types of UM in RIIO-2. See para 7.2 for more detail: [RIIO-2 - Core Document](#).

³ Further information on PCDs can be found here: [RIIO-2 Final Determinations – GD Sector Annex \(REVISED\)](#).

For any PCDs not delivered, the framework will protect consumers by ensuring funding is adjusted appropriately. PCDs either allow allowances to be recovered mechanistically (i.e. automatically), or evaluatively (i.e. requiring review the delivery of the PCD outputs).⁴

Under the RIIO-2 framework, **GDNs can also receive revenue through the following mechanisms.**

Innovation funding

RIIO-2 contains routes by which the GDNs can fund high-value innovation projects that address key challenges facing energy networks in the energy system transition towards net zero. This is facilitated through the Strategic Innovation Fund (SIF) and the Network Innovation Allowance (NIA).

Output Delivery Incentives (ODI)

We have set the ODI package to focus companies on delivering objectives that matter to existing and future consumers and to drive service improvement through incentives.

Totex Incentive Mechanism (TIM)

This designed to encourage network companies to deliver their required outputs efficiently by providing a financial incentive for companies to outperform their allowed expenditure. If a company spends less than its allowed totex, it can keep a proportion of the savings, while the rest is passed on to consumers. Conversely, if a company overspends, it bears a proportion of the additional costs.

The mechanism aims to promote cost efficiency and innovation, ensuring that consumers benefit from lower costs and to encourage efficiency in delivery of services. The costs of overspends are also shared with consumers, providing some protection to GDNs.

The totex Incentive Rates for RIIO-GD2 were set at around 50% for all GDNs (50% for Cadent, SGN and WWU, 49% for NGN), with the remainder for each GDN shared with consumers.

RIIO-2 volume-driven uncertainty mechanisms

Tier 2A mains and services replacement

Works to carry out Mains replacement for mandatory Tier 2A iron mains and associated services.

The volume driver will adjust Baseline Cost Allowances for variances between Outturn and Baseline Workloads for each activity, based on ex ante unit costs, ensuring GDNs are appropriately funded for any additional mandatory Tier 2A work during RIIO-GD2 while protecting consumers and networks from costs arising from inaccurate forecasts.

Measures:

- Length of tier 2A mains decommissioned at three diameter bands

⁴ Adjustments to the allowance can only be exercised should the PCD not be Fully Delivered, with the meaning of Fully Delivered and its constituent parts (output and delivery date) being specified in the licence condition.

Domestic Connections

Works to connect domestic customers to the network.

Measures:

- Number of Domestic Connections the licensee has delivered
- The length of Mains Commissioned in kilometres

Cost categories

GDN costs fall under three categories: capital expenditure (capex), operational expenditure (opex), and replacement expenditure (repex) The main cost categories contained in this report are summarised below.

There are four opex components:

- **Work Management:** costs cover expenses for planning, executing, and overseeing activities to maintain and improve an organisation's operations and assets. It covers three areas: Holder Demolition, Land Remediation and Other. This final category (Other) is sub-divided into four further categories: Asset Management, Operational Management, Customer Management & Network Support, and System Control.
- **Work Execution:** costs include activities related to Emergency response, Repairs, and Maintenance activities.
- **Business Support:** cover expenses related to the internal functions, processes, and activities that enable an organisation to operate efficiently and effectively. These costs include IT and Telecoms, Property Management, Insurance, HR and Non-Operational Training, Audit, Finance and Regulation, Procurement, Stores and Logistics, and CEO and Group Management.
- **Training and Apprentices:** costs represent the investment required to recruit, train, and develop new employees and apprentices within the organisation. They cover resources for onboarding, structured learning programmes, skills enhancement, mentoring, and any associated materials or tools. The purpose is to equip trainees and apprentices with the knowledge and capabilities needed to perform effectively, supporting overall organisational efficiency and productivity.

There are five main capex components:

- **LTS, Storage and Entry:** Local Transmission System (LTS), Storage and entry: the LTS is the pipeline network that transports gas from National Transmission System (NTS) offtakes to distribution systems. Storage sites are utilised to hold gas for balancing network pressures. Entry points refer to the locations where gas enters the network.
- **Connections:** covers the provision of new mains and services to supply new and existing domestic and non-domestic premises.

- **Reinforcement (<7 barg):** involves expanding the general network capacity to accommodate increased load demand.
- **Governors:** are pressure reduction devices installed in a gas pipeline system to lower the operating pressure of the gas on the network.
- **Other network and non-network capex:** relates to spend on the GDN's capital programme of work that is not covered by the areas described above.
 - **Network capex:** covers security, Physical Security Upgrade Programme, Critical National Infrastructure, pipelines (including overcrossings, sleeves, CP, and valves), and instrumentation. Each component plays a crucial role in maintaining the integrity and functionality of the pipeline system; and
 - **Non-network capex:** this includes IT and telecoms, plant, tools and equipment, vehicles, property and workspace, and other miscellaneous items. These elements support the overall infrastructure and operations.

There are five main repex components:

- **Tier 1 Mains and Services:** The main element is an iron pipe having a diameter of 8 inches and below qualifying for decommissioning under the HSE's Enforcement Policy for the Replacement of Iron Gas Mains. The service element refers to the replacement of short sections of service pipes connected to properties, which are made of ageing metallic materials (such as iron) and pose a higher risk of failure or gas leakage.
- **Tier 2A Mains and Services:** are medium-sized iron gas pipes (>8 to <18 inches) that pose potential safety risks. Identified through a risk assessment model by the HSE, these pipes are replaced or decommissioned to ensure public safety and compliance with regulations. A volume driver mechanism has been applied to this category to ensure GDNs are only funded for the work the completed.
- **Tier 2B and Mains and Services:** involves Iron pipes with diameters above 8 and below 18 inches that fall below a risk action threshold may be subject to decommissioning or other risk management measures. These actions are justified by a cost-benefit analysis under the HSE Enforcement Policy for the Replacement of Iron Gas Mains.
- **Tier 3 and Mains and Services:** involves iron pipes with a diameter of 18 inches or more may be subject to decommissioning or other risk management measures. These actions are justified by a cost-benefit analysis under the HSE Enforcement Policy for the Replacement of Iron Gas Mains.
- **Other Repex (NARM categories excluding Tier 2B AND Tier 3) includes:**
 - Steel mains <=2" in diameter & services
 - Diversions mains and services (partial NARM)
 - MOB Risers
 - Steel mains >2" in diameter & services
 - Iron mains >30m from building mains & services
 - Other policy & condition mains & services

Section Two: Output and incentive performances

In this section, we provide detailed information on outputs that are subject to incentives with a particular focus on the 2024/25 regulatory year. We also provide an overview of the cumulative revenue rewards and penalties accrued by each GDN over the first four years of RIIO-GD2, and outline GDN’s activity related to various social and environmental incentives.

Output Performance

The Output Delivery Incentive (ODI) package for the GDNs has been designed to encourage licensees to deliver outputs and service quality that consumers and stakeholders want to see.

Our assessment for ODIs is measured against expectations set out in the licence and/or detailed in the Final Determinations (FD) document.⁵ This includes targets which have associated rewards/penalties or other expectations against which we hold GDNs to account.

Common incentive activities and outputs are grouped into three broad delivery categories:⁶

1. Meeting the needs of consumers and network users, this includes those in vulnerable situations.
2. Maintaining a safe and resilient network, that is both efficient and adaptable to change.
3. Delivering an environmentally sustainable network.

Table A2.1 provides an overview of the ODIs and an initial summary of GDN group performance against each area for the 2024/25 Regulatory Year.

Table A2.1: ODIs and other output mechanisms that apply to all GDNs

Outputs	Purpose	Delivery Category	Performance Summary
Customer Satisfaction Survey	A financial reward/ penalty output to incentivise GDNs to uphold high standards of customer service. The ODI applies to three areas; Connections, Planned and Unplanned work.	Meeting the needs of consumers and network users	All GDNs have exceeded the target level in each of the three measures of this ODI. This sustained progress reflects strong investment and effective strategies, resulting in all regions receiving a reward or remaining within the deadband, with no penalties applied.
Complaints Metric	A financial penalty only output, to incentivise GDNs to maintain good performance in their handling of complaints.	Meeting the needs of consumers and network users	All GDNs outperformed the minimum target in each of the four years to date, avoiding any penalty.

⁵ RIIO-2 Final Determinations for Transmission and Gas Distribution network companies and the Electricity System Operator | Ofgem

⁶ Details in this section are ordered according to these delivery categories.

Outputs	Purpose	Delivery Category	Performance Summary
Emergency Response Licence Obligation	Requires GDNs to attend 97% of reported escapes within one hour for uncontrolled escapes and two hours for controlled escapes ⁷	Meeting the needs of consumers and network users	All GDNs responded to controlled and uncontrolled escapes within the allowed timescales over 97% of the time on average. ⁸
Unplanned Interruption Mean Duration ODI	A financial penalty only output, to protect consumers so that GDNs' performance on the duration of unplanned interruptions does not deteriorate.	Meeting the needs of consumers and network users	SGN Scotland, WWU and NGN outperformed their minimum performance level. SGN Southern incurred penalties for failing to meet its target for the second year in a row.
Unplanned Interruption Mean Duration ODI (Cadent only)	A financial penalty only output on the duration of unplanned interruptions across Cadent's networks.	Meeting the needs of consumers and network users	All Cadent's regions outperformed the minimum performance level for unplanned interruptions in Multiple Occupancy Building (MOB)s and non-MOBs in 2024/25.
Vulnerability and Carbon Monoxide Allowance (VCMA)	A use it or lose it (UIOLI) allowance to enable GDNs to spend on projects focused on vulnerability and carbon monoxide safety initiatives that go beyond business-as-usual activities.	Meeting the needs of consumers and network users	All GDNs are making use of this UIOLI allowance and are forecast to use all of it by the end of RIIO-2.
Shrinkage Management	A financial reward/ penalty output to incentivise GDNs to reduce shrinkage of gas from their pipe networks.	Delivering an environmentally sustainable network	Shrinkage volume (ODI-R) has continued to decrease across RIIO-GD2, with only SGN So reporting an increase on the previous year. All regions received a reward in the ODI-F, except SGN Sc and Cadent Lon with small penalties.
Business Carbon Footprint (BCF)	A reputational incentive to incentivise GDNs to reduce their BCF comprising of scope 1 and 2 emissions excluding gas shrinkage, tonnes of carbon dioxide equivalent emissions (tCO2e)	Delivering an environmentally sustainable network	Mixed performance across GDNs in 2024/25: Cadent and SGN delivered continued reductions, while NGN and WWU reported increases on previous year, reflecting ongoing fleet decarbonisation challenges.

Annual output targets

As part of RIIO-2, we set a range of outputs that the GDNs have committed to deliver. It focuses on the common outputs (which apply to all GDNs). If GDNs met their annual output targets they could be eligible for incentive payments, whereas failure to meet their annual output targets could result in a financial penalty.

The following section provides an overview of output performance and, where applicable, associated reward or penalty.

Incentive rewards and penalties

Table A2.2 summarises the cumulative revenue rewards and penalties accrued by each GDN over the first four reporting years for each incentive area. Key points include:

⁷ Standard Special Conditions D10 2(h).

⁸ Further analysis has shown that there were individual months where some GDNs failed to meet this obligation despite their annual average performance being over 97%. This is discussed later in the report.

- all GDNs have successfully met or exceeded their targets against the customer Satisfaction survey ODI-F and been rewarded for good performance in this area.
- SGN has not performed well with relation to unplanned interruptions ODI-F and has received a penalty to reflect this.

Table A2.2: ODI mechanisms – cumulative revenue rewards and penalties (£m – 2018/19 prices) 2021/22-2024/25

ODI	Cadent	NGN	SGN	WWU	TOTAL
Customer Satisfaction Survey	21.49	6.29	11.48	4.81	44.07
Complaints metric (penalty only)	0.00	0.00	0.00	0.00	0.00
Unplanned Interruption	0.00	0.00	-7.47	0.00	-7.47
Unplanned Interruption [Cadent only]	0.00	0.00	0.00	0.00	0.00
Shrinkage Management	2.29	0.96	1.58	1.49	6.32
Collaborative streetworks (Cadent Lon & EoE, SGN So only)	4.18	0.00	5.19	0.00	9.37
TOTAL	27.97	7.25	10.77	6.30	52.29

Meeting the needs of consumers and network users

Customer satisfaction survey (CSS)

The purpose of this incentive is to encourage GDNs to deliver exceptional customer service throughout the price control. It rewards GDNs that deliver exceptional performance whilst any substandard provision is penalised.

The GDNs must carry out surveys on connections, planned work, and unplanned work on a weekly/monthly basis.

Connections customer satisfaction

Figure A2.1: Customer Satisfaction – Connections performance against target (2024/25)

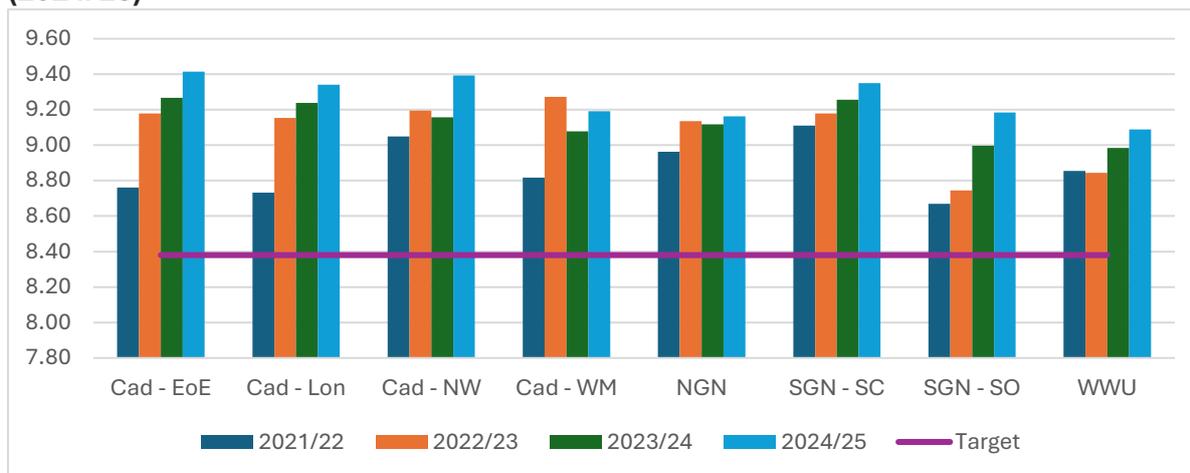


Table A2.3: CSAT Connection financial reward/penalty (£m - 2018/19 prices) 2022-2025

£m	2021-22	2022-23	2023-24	2024-25
Cadent - EoE	0.1	0.7	0.8	0.9
Cadent - London	0.1	0.5	0.6	0.7
Cadent - NW	0.4	0.5	0.5	0.6
Cadent - WM	0.1	0.4	0.3	0.4
NGN	0.3	0.5	0.4	0.5
SGN – Scotland	0.3	0.4	0.4	0.5
SGN – Southern	0.0	0.1	0.5	0.8
WWU	0.2	0.2	0.3	0.4

For the fourth Regulatory Year 2024/25, all GDNs outperformed the target of 8.38/10 for customer satisfaction on connections. All GDNs received a score above 9/10, demonstrating that GDNs are achieving high levels of customer satisfaction for connections.

Comparing 2024/25 to previous years, most licensees show steady improvement across the price control period, and for most 2024/25 represents the highest performance so far.

The overall trend of increasing and sustained scores above the target demonstrates that both the incentive and licensee customer service strategies have been successful in improving customer satisfaction. We expect licensees to maintain this level of performance through to the end of the current price control period.

As a result of strong performance in this area, all GDNs have received a reward in each of the four Regulatory Years to date.

Planned work customer satisfaction

Figure A2.2: Customer Satisfaction – Planned work performance against target (2024/25)

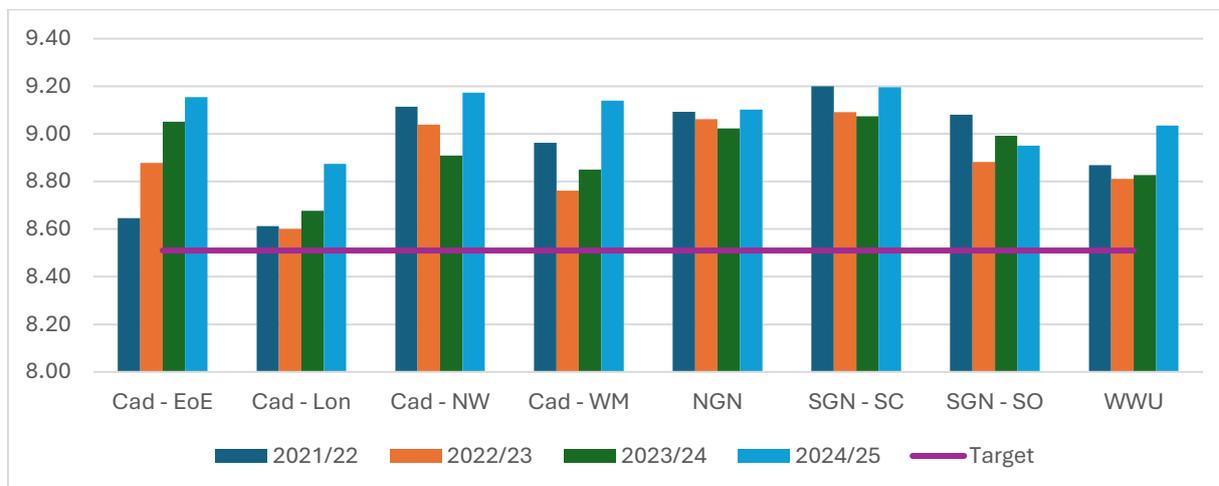


Table A2.4: CSAT Planned interruption reward/penalty (£m) 2022-2025

£m	2021-22	2022-23	2023-24	2024-25
Cadent - EoE	0.0	0.4	0.7	0.9
Cadent - London	0.0	0.0	0.0	0.3
Cadent - NW	0.6	0.5	0.3	0.6
Cadent - WM	0.3	0.1	0.2	0.5
NGN	0.6	0.5	0.5	0.6
SGN – Scotland	0.5	0.4	0.4	0.5
SGN – Southern	0.9	0.4	0.7	0.6
WWU	0.3	0.2	0.2	0.5

For the fourth Regulatory Year 2024/25, all GDNs are exceeding their target score of 8.51/10 for customer satisfaction in relation to planned works.

For all but one licensee, 2024/25 marks the highest score of the period so far. Those that experienced mid-period dips, such as Cadent Lon, NW, WM and SGN Sc, have improved. WWU and Cadent EoE show steady improvements throughout the price control.

Unplanned work customer satisfaction

Figure A2.3: Customer Satisfaction – Unplanned interruption performance against target (2024/25)

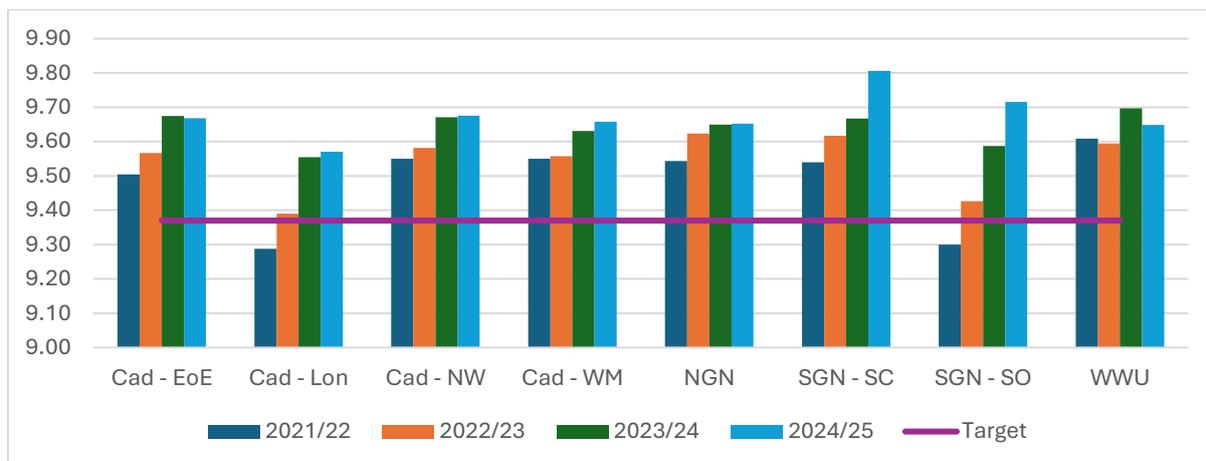


Table A2.5: CSAT Unplanned interruption reward/penalty (£m) 2021/22-2024/25

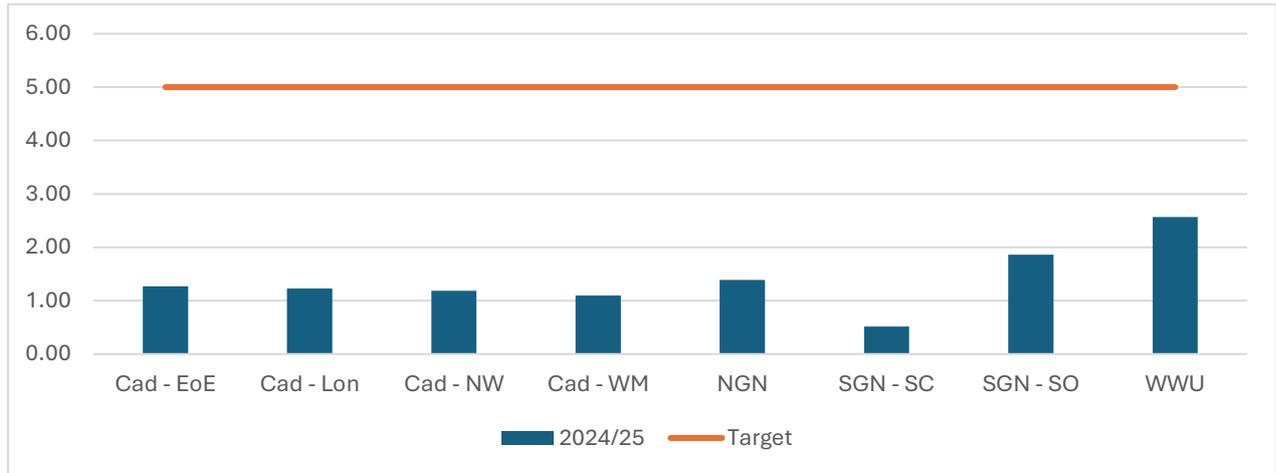
£m	2021-22	2022-23	2023-24	2024-25
Cadent - EoE	0.5	0.8	0.9	0.9
Cadent - London	0.0	0.0	0.5	0.6
Cadent - NW	0.5	0.6	0.6	0.6
Cadent - WM	0.4	0.4	0.5	0.5
NGN	0.5	0.6	0.6	0.6
SGN – Scotland	0.4	0.5	0.5	0.5
SGN – Southern	0.0	0.0	1.0	0.5
WWU	0.6	0.6	0.6	0.6

In 2024/25 all GDNs exceeded their target of 9.37/10 for customer satisfaction in relation to Unplanned Interruptions, with all GDNs achieving scores above 9.5/10.

We are encouraged to observe year-on-year performance improvements by all licensees throughout the price control period and that the strong upward trend in performance has continued, with most licensees achieving their highest scores of the price control period in 2024/25.

Complaints Metric

Figure A2.4: Complaints Metric – performance against target in 2024/25

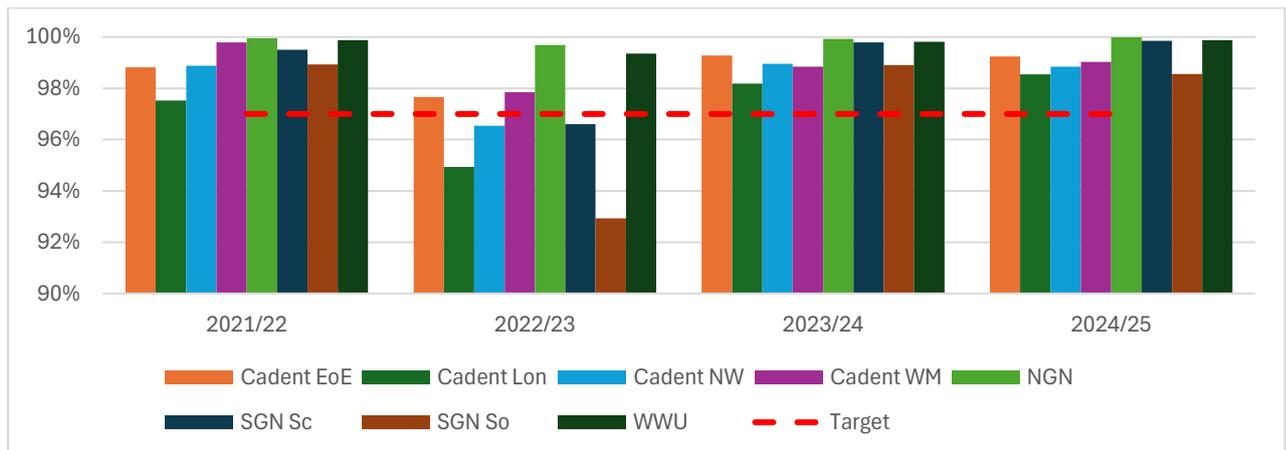


The target for the Complaints Metric is to record scores below 5. All licensees are below this target score demonstrating a high level of performance in managing complaints throughout the RIIO-GD2 period to date. The complaints metric is a financial incentive that is penalty only. To date, all GDNs have exceeded the target set and **no penalties** have been incurred in RIIO-GD2.

Comparing 2024/25 to previous years, we can see that overall performance has improved, with most GDNs recording their lowest scores of the price control period. For those licensees where better scores were achieved in earlier years, we encourage continued focus to prevent any reversal of improvements so that strong performance against this metric is maintained.

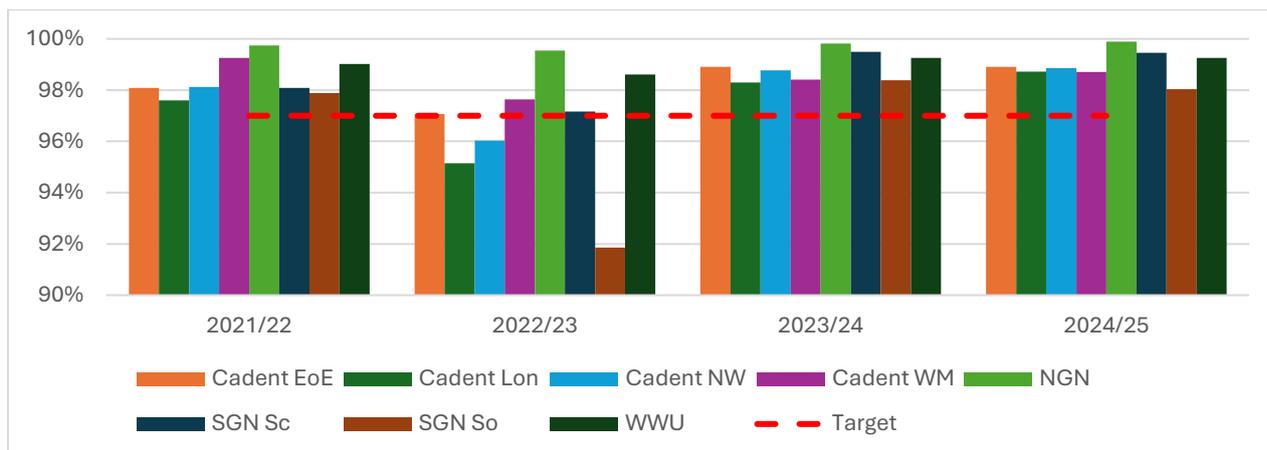
Emergency Response Licence Obligation⁹

Figure A2.5: Controlled escapes responded to within two hours (2021 - 2025)



⁹ Emergency Response is a licencing obligation that mandates GDNs to adhere to specific standards. Failure to meet these standards constitutes a breach of the licence, which may result in Ofgem initiating enforcement action.

Figure A2.6: Uncontrolled escapes responded to within one hour (2021 – 2025)



Over the regulatory year, GDNs must attend 97% of reported escapes within one hour for uncontrolled escapes and two hours for controlled escapes. In response to performance issues identified in 2022/23, where SGN and Cadent failed to meet targets, we opened formal investigations.¹⁰

In May 2025, we closed these investigations, following admissions from Cadent and SGN that they had breached the requirement. The investigations were closed by way of alternative action, based on the following payments to Ofgem’s Voluntary Redress Fund:

- **Cadent:** £1.5 million
- **SGN Scotland:** £700,000
- **SGN Southern:** £5.8 million

The companies also committed to operational improvements to achieve their obligations, which can be seen in the improved performance in since. We are also enhancing our regulatory oversight under RII0-3, requiring more detailed monthly and annual reporting on response times, and mandating that GDNs provide explanations if monthly performance drops below 97%.

In 2024/25, all GDNs have responded to controlled and uncontrolled escapes within the allowed timescales over 97% of the time on average in their annual target. NGN, SGN Scotland, and WWU performed very well, achieving close to 100% of controlled gas escapes responded to within the allowed time scale.

Whilst this remains an annual obligation, GDNs are now reporting emergency response performance for each month. In 24/25 the performance of Cadent Lon, Cadent NW and SGN So dipped below the 97% response threshold in November and January. They attribute this performance dip to exceptional weather alongside other incidents occurring on their networks in the same time period, putting unforeseen strain on their

¹⁰ [Investigations into Cadent Gas Limited, Scotland Gas Networks Plc and Southern Gas Networks Plc, and their compliance with their obligations under their gas transporter licence | Ofgem](#)

capacity. They have explained they are looking to improve their resilience going forward to avoid these monthly dips.

Unplanned Interruptions

Figure A2.7: Average Unplanned Loss of Supply Duration (Hours) NGN, SGN, and WWU

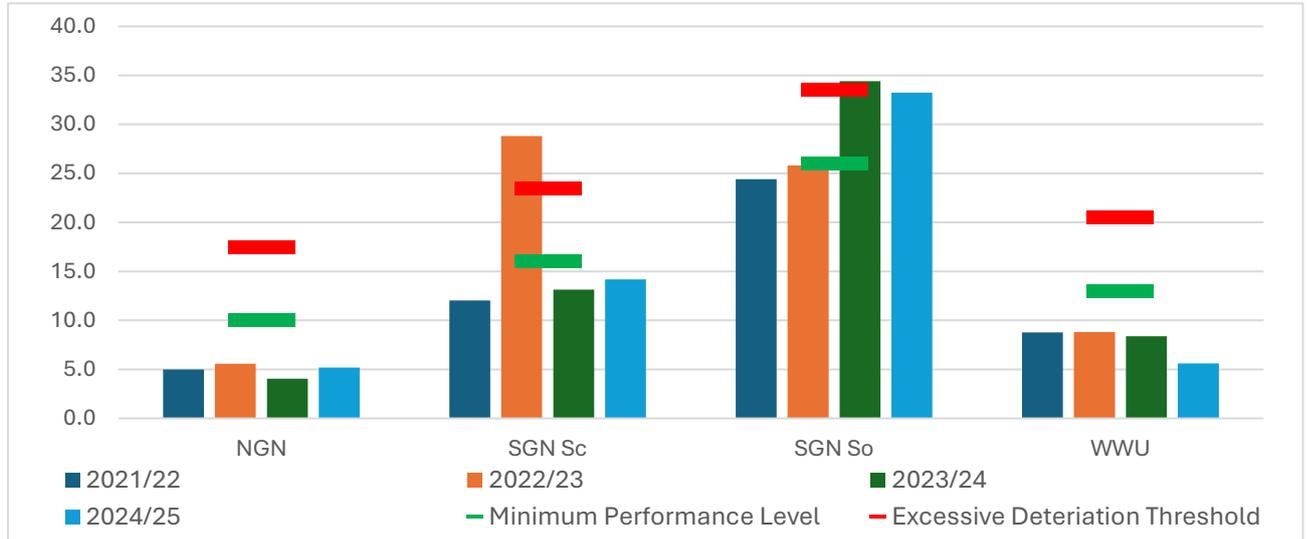


Table A2.5: NGN, SGN, and WWU Unplanned interruption reward/penalty (£m) 2021/22-2024/25

£m	2021/22	2022/23	2023/24	2024/25
NGN	0.0	0.0	0.0	0.0
SGN Sc	0.0	-1.5	0.0	0.0
SGN So	0.0	0.0	-3.1	-3.0
WWU	0.0	0.0	0.0	0.0

Across GD2, most GDNs remain well within their Minimum Performance Levels, with NGN and WWU showing improved performance year-on-year, and SGN Sc continuing to outperform its target after improving from exceeding its Excessive Deteriation Threshold in 2022/23. Only SGN So continues to face challenges, recording an average unplanned interruption duration of 33.3 hours in 2024/25, exceeding the Minimum Performance Level of 26 hours for the second consecutive year and approaching the Excessive Deteriation Threshold of 33.5 hours. SGN attributes this to major incidents, safety prioritisation, increased repair workload, and structural constraints. Despite corrective measures such as a dedicated MOB working group, workforce expansion, and enhanced analytics, SGN acknowledges the risk of breaching targets again this year.

Cadent’s incentive design differs from the other GDNs given the high number of MOB in its network. It includes two separate measures for unplanned interruptions, aimed at providing stakeholders with greater clarity on Cadent’s performance:

- for MOBs, where a riser must be replaced or repaired before supply can be restored, and
- for all other buildings (non-MOBs).

Both measures are penalty-only incentives with a cap of 0.25% of base revenue for each ODI.

Figure A2.8: Average Unplanned Loss of Supply Duration (Hours) Cadent (MOBs)

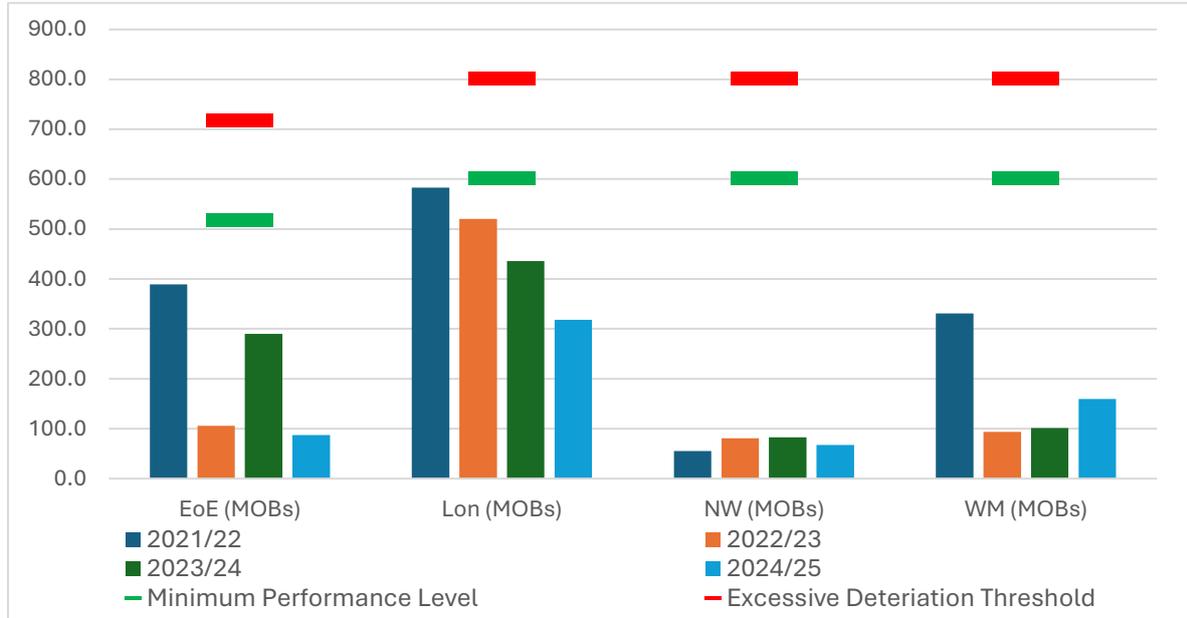


Figure A2.9: Average Unplanned Loss of Supply Duration (Hours) Cadent (Non-MOBs)

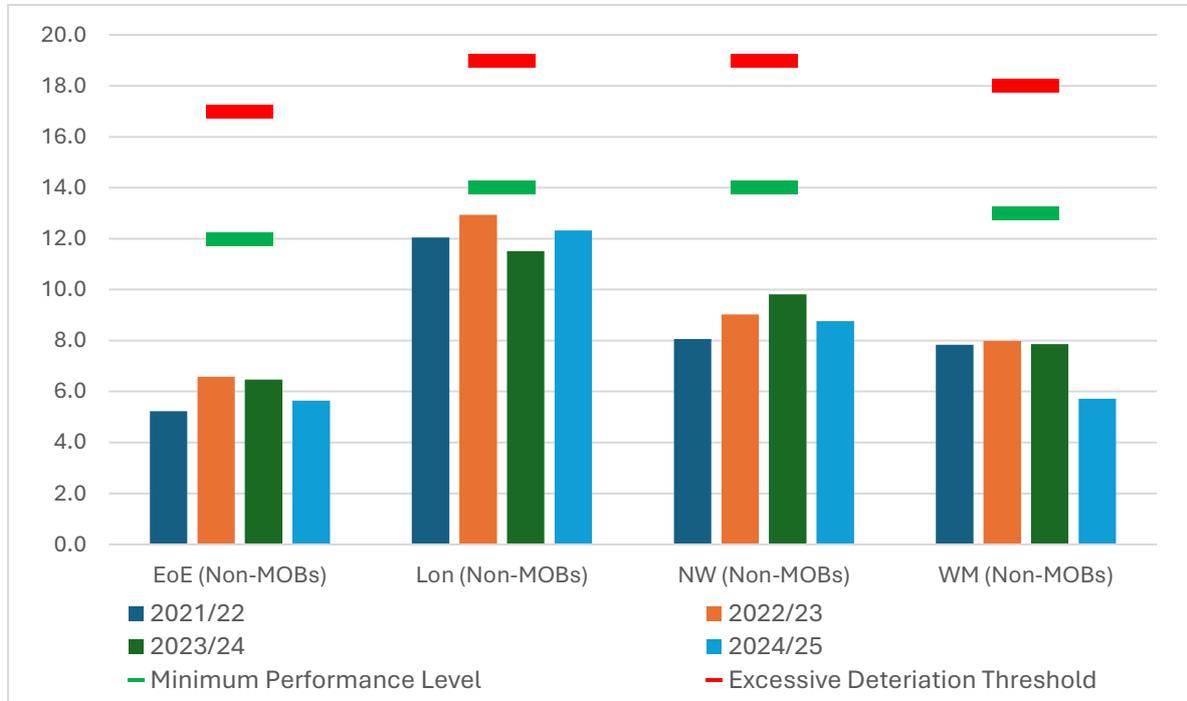


Table A2.6: Cadent Unplanned interruption reward/penalty (£m) 2021/22-2024/25

£m	2021/22	2022/23	2023/24	2024/25
EoE	0.0	0.0	0.0	0.0
Lon	0.0	0.0	0.0	0.0
NW	0.0	0.0	0.0	0.0
WM	0.0	0.0	0.0	0.0

In the Regulatory Year 2024/25, all four Cadent regions outperformed their Minimum Performance Levels for unplanned interruptions in MOB’s, with most reporting a reduction from the previous year. Though still below its Minimum Performance Level of 14 hours, Cadent Lon has higher non-MOB interruptions levels compared to the other Cadent networks. Cadent has said that this is due to several complex non-MOBs in the London network that are structurally more similar to MOBs, which increases the overall average interruption duration. These buildings are typically more complicated to resolve and often require specialist MOB teams to attend them.

VCMA

The **VCMA (Vulnerability and Carbon Monoxide Allowance)** funds GDN projects that go beyond standard obligations, focusing on vulnerability and CO safety. Projects typically fall into four categories:

- **Priority customer support** – outreach to hard-to-reach groups, boosting PSR uptake and referrals.
- **CO awareness** – education and provision of CO alarms.
- **Fuel poverty and affordability** – initiatives like income maximisation, financial education, and fuel vouchers.
- **Services beyond the meter** – repair or replacement of essential gas appliances outside BAU activity.

GDNs must maintain a varied portfolio, not exclusively focused on one area. The VCMA was initially £60m under RIIO-GD2 but increased to £171m in October 2023 by repurposing £111m from the Fuel Poor Network Extension Scheme. Of this, 25% is ring-fenced for collaborative projects, with the remainder allocated based on customer numbers.

Since the start of RIIO-2, £134.4 million has been invested, with £28.8 million allocated in 2024/25 alone. To date, this has funded:

- over 300 different projects, delivering wide-reaching benefits.
- 1.5 million people supported in fuel poverty.
- 330,000 priority services register (PSR) sign-ups; and
- 75,000 CO alarms distributed.

More information can be found on these projects within the GDNs company specific annual reports but a few notable projects operating this year include:

- Cadent’s¹¹ work with the Alzheimer’s Society to support people living with dementia and their families, recognising their heightened vulnerability to fuel poverty and carbon monoxide risks. Through £1.5m in VCMA funding, Cadent support their Dementia Advisors to provide tailored advice on energy efficiency, PSR enrolment, and carbon monoxide safety. The initiative delivers face-to-face guidance and has supplied CO alarms to those most at risk. Since launch, the project has supported over 5,700 individuals, facilitated thousands of PSR registrations, and driven significant engagement on safety and affordability.
- NGN¹² has partnered with Citizens Advice Sheffield to improve access to essential services for the Deaf community by offering advice in British Sign Language (BSL). The initiative, using £90,536 of VCMA funding, addressed barriers faced by individuals with limited literacy and speech, helping them navigate benefits, energy efficiency, and PSR enrolment. In 2024/25, the project supported 332 customers, delivered 332 interventions, and signed up 93 people to the PSR.
- SGN’s¹³ Beyond the Meter programme provides direct, in-home support to vulnerable customers during gas emergencies, upgrades, and connections. Their approach combines emergency response with tailored assistance through dedicated teams like Careline and Safe & Warm, offering energy advice, PSR enrolment, and practical help such as appliance servicing and emergency heating. In 2024/25 the total number of households SGN have supported since the project started in 2021 has reached over 72,000. They have also introduced new measures for vulnerable consumers like funded appliance servicing and emergency heating packs, following Ofgem’s widening of eligibility criteria.
- WWU’s¹⁴ work with Plymouth Energy Community (PEC) launched the PEC Home Hub to tackle fuel poverty and energy affordability in one of England’s most deprived areas. With an investment of £999,752 and a forecast SROI of £15.70 per £1, the project provides a walk-in energy advice centre, home visits, and embedded energy specialists to support vulnerable households. It also offers Fuel Poverty First Aid training for frontline workers. So far, the initiative has supported 12,388 individuals, delivered savings of £329,569, and trained 168 people in fuel poverty awareness.

¹¹ [Cadent VCMA Report 2024/25](#)

¹² [VCMA-report-2025_V7.pdf](#)

¹³ [SGN VCMA Annual Report 2025.pdf](#)

¹⁴ [VCMA Reports | Wales & West Utilities](#)

Collaboration between the GDNs has amplified impact across the sector. More information on this can be found in the GDN collaborative report¹⁵ but some notable collaborative projects run by the GDNs include:

- Carer Money Matters, which reached over 10,000 carers, unlocking £6.9 million in potential savings.
- CO Safety Campaigns, backed by £4.9 million investment, have reached 120 million people through large-scale seasonal campaigns and targeted education for groups such as Scouts.
- Warm Homes Healthy Futures, which helped vulnerable people secure £1.8 million in unclaimed benefits, exemplifying how the joint effort of the GDNs is helping tackle fuel poverty at scale.

Maintaining a Safe and Resilient Network

This section covers company performance against common RIIO-GD2 outputs related to achieving a safe and resilient network that is efficient and responsive to change. It covers the following PCDs:

- Repex tier 1 mains and services replacement¹⁶
- Capital projects; and
- Cyber IT and Operational Technology (OT) PCD

Tier 1 Mains – volume overview

The table below outlines the variance between volume delivered against the target Tier 1 mains volume profile. Variance is presented for the four years of the price control to date, as well as forecast variance for 2025/26.

¹⁵ [VCMA-GDN-Collaborative-Annual-Report-2025.pdf](#)

¹⁶ Detailed repex tables are set out in the supplementary data file.

Table A2.7: Tier 1 Mains Actual and Forecast Volumes (2022- 2026) (Km)

	2022	2023	2024	2025	2026	Total
EoE	528	586	601	568	555	2,838
Lon	299	289	288	353	303	1,531
NW	425	413	382	367	355	1,941
WM	286	308	301	287	286	1,469
NGN	438	431	470	448	422	2,208
Sco	211	219	201	210	202	1,045
Sou	587	510	470	658	640	2,865
WWU	282	313	337	315	322	1,568

Table A2.8: Tier 1 Mains Volume targets (2022- 2026) (Km)

	2022	2023	2024	2025	2026	Total
EOE	555	555	555	555	555	2,774
LON	306	306	306	306	306	1,531
NW	384	384	384	384	384	1,918
WM	294	294	294	294	294	1,469
NGN	429	429	429	429	429	2,144
Sc	204	204	204	204	204	1,021
So	600	600	600	600	600	3,001
WWU	314	314	314	314	314	1,568

Table A2.9: Tier 1 Volume target variance (% , 2022- 2026)¹⁷

	2022	2023	2024	2025	2026	Total
EOE	-4.8%	5.7%	8.3%	2.5%	0%	2.3%
LON	-2.5%	-5.6%	-6.1%	15.3%	-1.2%	0.0%
NW	10.7%	7.5%	-0.5%	-4.4%	-7.4%	1.2%
WM	-2.7%	5.0%	2.6%	-2.2%	-2.7%	0.0%
NGN	2.1%	0.4%	9.5%	4.4%	-1.6%	3.0%
Sc	3.6%	7.5%	-1.3%	3.0%	-1.0%	2.4%
So	-2.3%	-15.0%	-21.7%	9.6%	6.6%	-4.5%
WWU	-10.0%	-0.3%	7.5%	0.4%	2.5%	0.0%

All **Cadent** regions are currently outperforming their four-year mains replacement targets and are on track to meet or exceed these targets by the end of the price control period. While Cadent London underdelivered in each of the first three years of RIIO-GD2, the region achieved a significant turnaround in 2024/25, overdelivering volumes by 15.3%—equivalent to an additional 47 km above its 306 km target.

The remaining three regions have maintained strong performance throughout, each exceeding their four-year targets. As a result, all Cadent regions are forecast to meet or exceed their price control commitments.

NGN has continued its trend of year-on-year over delivery, achieving 448 km of mains replacement against a target of 429 km this year. This strong performance means NGN currently exceeds its four-year linear target by 4.1%. To remain within the 3% over delivery cap which is a feature of the Tier 1 Mains PCD, the company has forecast a slight under delivery in Year 5, resulting in an overall delivery of approximately 103% of the price control target.

There remains a contrasting picture across **SGN**'s two regions:

- In Scotland, performance continues to be strong, with the region exceeding its 2024/25 target by 3% and delivering 843 km over the first four years against a target of 816 km. In total, 1,045 km is due to be delivered for RIIO-GD2, which is 2.4% above target volumes.

¹⁷ An Allowance Adjustment Mechanism adjusts allowances at close-out to reflect the Outturn Workload and Outturn Workload Mix based on ex ante unit costs. Any upward adjustment is restricted to 3% of the Baseline Cost Allowance value, with any overspend beyond this going through the Totex Incentive Mechanism (TIM). There is no lower limit on adjustments to the Baseline Cost Allowance, but GDNs must explain any variance in value greater than 2% below the Baseline Cost Allowance. This mechanism has resulted in a number of regions deciding to deliver lower volumes than their target, in the latter years of RIIO-2, to avoid breaching that cap.

- In contrast, the Southern region remains below its four-year delivery target by 176 km (7.3%). In 2024/25, Southern has significantly improved performance, delivering 658 km which represents 9.6% above its annual target. This follows three years of challenging performance. SGN has said that the improvements were achieved by substantially increasing contractor resources and onboarding over 200 teams to address earlier shortfalls. While this has come at a considerable cost, SGN has established a more stable delivery position heading into the final year of RIIO-GD2. If Southern achieves its forecast of 640 km in 2025/26, the overall shortfall will reduce to 4.5% below target volumes across RIIO-GD2. Ofgem is encouraged by the actions that SGN has taken to address performance and will continue to monitor progress closely.

WWU slightly exceeded its 2024/25 target, narrowing its cumulative shortfall against the four-year target to 8 km (0.6%). This represents a strong position going into the final year of RIIO-GD2. The company is forecasting continued levels of delivery in 2025/26, which, if achieved, will close the remaining gap and enable WWU to meet its Tier 1 Mains PCD commitment for the price control period.

Tier 1 mains - cost overview

The table below set out the actual costs incurred to date and GDN expectations on costs to be incurred in the final year of RIIO-GD2.

Table A2.10: Tier 1 Mains Actual and Forecast costs (£m, 2022- 2026)

	2022	2023	2024	2025	2026	Total
EoE	80.2	96.4	94.6	89.8	74.2	435.2
Lon	63.8	67.5	75.1	82.5	47.9	336.7
NW	69.0	62.5	60.1	61.2	52.2	305.0
WM	43.8	42.9	44.4	42.0	47.0	220.2
NGN	52.9	53.1	56.5	54.8	51.5	268.7
Sco	29.3	30.1	28.7	32.2	25.9	146.2
Sou	76.3	70.6	81.2	138.7	128.7	495.6
WWU	31.5	45.5	51.9	54.1	61.0	244.0

The tables below set out Tier 1 mains repex allowances and the variance against allowances.

Table A2.11: Tier 1 Mains Allowance (£m, 2022- 2026)

	2022	2023	2024	2025	2026	Total
EoE	75.3	73.3	71.2	71.1	70.6	361.5
Lon	52.3	50.0	47.7	47.8	47.5	245.2
NW	61.5	59.2	56.8	56.8	56.6	290.9
WM	50.2	48.2	46.2	46.2	46.0	236.8
NGN	52.7	51.7	50.3	50.2	50.0	255.0
Sco	34.7	34.4	33.3	33.4	33.8	169.6
Sou	85.4	85.8	85.3	88.0	89.8	434.4
WWU	44.1	45.4	47.0	44.9	46.4	227.7

Table A2.12: Tier 1 costs against allowance variance (£m, 2021- 2026)

	2022	2023	2024	2025	2026	Total
EoE	4.8	23.1	23.4	18.8	3.6	73.7
Lon	11.5	17.5	27.4	34.7	0.4	91.5
NW	7.5	3.3	3.2	4.3	-4.4	14.0
WM	-6.4	-5.2	-1.9	-4.2	1.0	-16.7
NGN	0.1	1.3	6.2	4.6	1.5	13.8
Sco	-5.4	-4.3	-4.7	-1.2	-7.9	-23.4
Sou	-9.1	-15.2	-4.2	50.7	38.9	61.2
WWU	-12.6	0.1	4.9	9.2	14.7	16.3

Except for Cadent WM and SGN Scotland, all other networks are currently overspending against their Tier 1 mains repex cost allowance.

Cadent has said that the overspend in London and EoE was mainly due to regulatory allowances not fully reflecting the higher costs and operational challenges faced in these regions. They highlighted that factors such as urban complexity, inflation, and market pressures contributed to costs exceeding the set allowances. Cadent noted that these issues were particularly significant in London and Eastern areas, where working conditions and cost drivers differ from other networks.

Overall SGN is currently 1% above its allowance for the first four years of RIIO-GD2. However, performance differs significantly between its two regions:

- Scotland has consistently delivered on commitments while maintaining a year-on-year underspend, leaving it 11% below allowance to date. This trend is expected to continue, with the region forecast to end the RIIO-GD2 period 14% under its total allowance.
- In contrast, Southern reported its first overspend in 2024/25 at 58% above the allowance. As discussed above, this reflects accelerated workload as the region works to close the gap on its price control volume targets. Southern anticipates a further overspend of 43% in the final year of RIIO-GD2, resulting in a projected 14% overspend. Overall SGN forecast an overspend of 6% across the price control period.

WWU has continued to overspend against allowances, bringing total expenditure for the first four years to 1% above allowance. In the final year, the GDN plans to accelerate spending significantly, with costs forecast to reach 32% above allowance. This increase will result in an overall overspend of 7% across the RIIO-GD2 period, while meeting its volume delivery commitments.

Tier 1 Services – volume overview

The next table sets out the volume of services replaced to date against RIIO-GD2 workload targets.¹⁸

Table A2.13: Tier 1 services – interventions and delivery (2022- 2024)

	2022	2023	2024	2025	Baseline target workload	Delivered (%)
EoE	39,169	53,785	51,201	47,979	241,929	79%
Lon	30,525	31,251	31,108	29,162	185,296	66%
NW	40,584	38,211	31,788	29,375	195,011	72%
WM	25,849	28,264	25,752	22,254	157,646	65%
NGN	30,220	28,688	31,929	30,131	147,469	82%
Sco	16,120	16,526	16,203	15,220	80,430	80%
Sou	46,630	39,501	42,572	54,123	269,929	68%
WWU	22,089	21,692	27,047	26,316	118,604	82%

The target number of Tier 1 service interventions is strongly linked to mains replacement activity.

¹⁸ Further information on Tier 1 services is set out in the supplementary data file.

As discussed previously, SGN Southern has the lowest mains delivery of all regions, as a percentage, and this is reflected in its lower level of service replacement compared to the workload target. Three of Cadent’s regions remain below their targets at the end of 2024/25.

Cadent has said that it has needed to intervene on less services associated with Tier 1 mains than had been forecast for RIIO-GD2. It encountered and that actual service density has been lower than the historic average used to set targets. This shortfall varies by network and reflects the specific characteristics of the network areas.

SGN Southern attributes the under-delivery of Tier 1 Services to two main factors:

- service density has been lower than forecast, the number of services per mains project varies significantly across the network and SGN does not specifically target services when selecting projects; and
- there has been a shortfall in Tier 1 mains delivery, which directly reduces the associated service volumes.

Looking ahead, SGN expects that even with planned activity in 2025/26, they will remain below target volumes, falling outside the delivery tolerances set for this PCD.

Under this PCD, allowances associated with volumes of services not delivered are returned to customers (via a clawed back mechanism) so that consumers only pay for work that is delivered. We will continue to monitor this situation and provide updates as necessary.

Tier 1 Services - cost overview

The table below shows cost variances against the allowances for Tier 1 Services across the RIIO-2 period. To date, four regions—East of England, London, North-west, and SGN Scotland—have underspent relative to their allowances, while all other regions have overspent.

Table A2.14: Tier 1 services – variation from allowance (% , 2022- 2026)

	2022	2023	2024	2025	2026	Total
EoE	-30%	-16%	-17%	-25%	-17%	-21%
Lon	-19%	-19%	-6%	-13%	41%	-4%
NW	-12%	-16%	-21%	-32%	7%	-15%
WM	26%	28%	31%	27%	-24%	18%
NGN	0%	-5%	13%	1%	-2%	2%
Sco	-6%	-13%	-10%	-10%	-7%	-9%
Sou	5%	-14%	-3%	27%	25%	8%
WWU	53%	98%	155%	122%	133%	110%

Cadent's cost performance is varied across its regions. East of England has underspent against its allowances by around 22% over the first 4 years of RIIO-GD2, which is mainly due a lower volume of services being delivered. London (-14%) and North West (-20%) are also below their four-year volume targets and both regions are underspending. In contrast, West Midlands, despite being below its volume target, is overspending against its allowance by 28%.

In 2024/25, NGN's expenditure aligned with its allowance, leaving the network 2% above the cumulative allowance while also meeting its volume target.

SGN Scotland continues to outperform its PCD volume target and, by 2024/25, has delivered 80% of its overall price control commitment. This has been achieved while maintaining cost efficiency, spending 10% below its allowance over the same period. SGN Southern delivered its highest volume of Tier 1 Services in 2024/25, bringing cumulative delivery to 68% of the four-year target, achieved with a 4% overspend against allowance to date.

WWU is currently 2% above volume delivery target. It continues to face cost challenges in this category, and it is currently £56.1m (104%) above the allowance threshold. WWU has said that it overspend on Tier 1 Services is primarily due to insufficient regulatory allowances set at the start of RIIO-GD2, combined with escalating costs in labour, materials, and traffic management. They highlight that the complexity of the remaining asset base has driven up unit costs well above what was anticipated.

Ofgem will continue to monitor performance against this PCD and will provide updates going forward.

Capital Projects

The purpose of the PCD is to hold companies to account for the delivery of certain capital investments that were specifically funded as part of the RIIO-GD2 price control. Section 4 provides further details on each project and sets out progress GDNs have made to date, including the project description and output, delivery date, project allowance, current status, and company information.

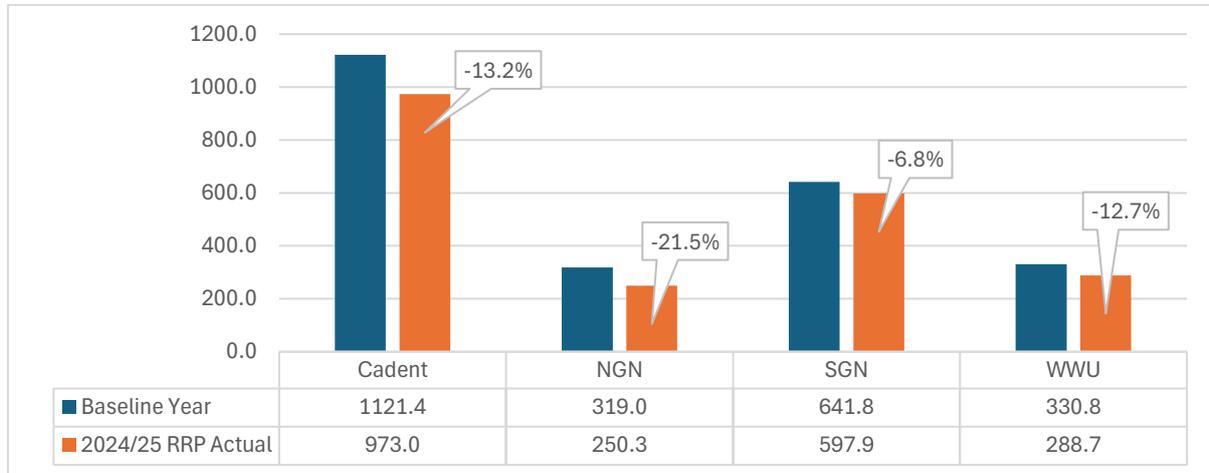
Cyber IT and OT PCD

This covers spending to improve and upgrade communication and operational systems to make them more resilient. Due to the sensitive nature of these activities, GDNs' performance is not discussed further.

Delivering an environmentally sustainable network

Shrinkage and Environmental Emissions

Figure A2:12: GDN Shrinkage and Baseline Year Comparison (tCO₂e) 2024/25*



*Baseline year in this graph for all GDNs is end of RIIO-GD1 (2020/21), others are used for GDN specific targeting

Shrinkage refers to gas lost from the transportation network and is the dominant element of the GDNs’ business carbon footprint. It comprises leakage from pipelines (approximately 95% of gas loss), theft (around 3%), and companies’ own use (around 2%). GDNs use a common shrinkage leakage model to assess leakage across their networks. Reducing shrinkage lowers methane emissions, a significant greenhouse gas, and avoids the cost of purchasing replacement gas.

Under RIIO-GD2, the shrinkage ODI is designed to encourage networks to minimise these losses. It consists of two components:

- **Total shrinkage volumes (ODI-R)** - a reputational metric showing absolute shrinkage volumes to promote transparency and continuous improvement.
- **Average system pressures (ODI-F)** - a financial incentive rewarding lower pressures (which reduce leakage and energy use) and penalising higher pressures. Performance is measured against deadbands based on historic data, with rewards and penalties capped at ±0.25% of base revenue.

In 2024/25 the majority of GDNs are performing well. All companies have achieved a reduction in tCO₂e against their baseline year.

Across GDNs, most delivered strong shrinkage reductions from the baseline and earned rewards for effective pressure management. NGN achieved the largest improvement with a 21.5% reduction, though from a higher RIIO-GD1 baseline, and a £0.4m reward. WWU and SGN Sc also performed well, though the latter did receive a penalty (£0.05) in the ODI-F. SGN So recorded an increase in shrinkage of 5% in 2024/25 from the previous year, reaching its highest level since the start of RIIO-GD2. Even so they did earn a £0.4m reward for maintaining pressures below the lower deadband. Cadent achieved a 13.2% reduction at the group level and secured significant rewards, led by NW (£1.91m), though London incurred a penalty (£0.02m) for exceeding the upper deadband.

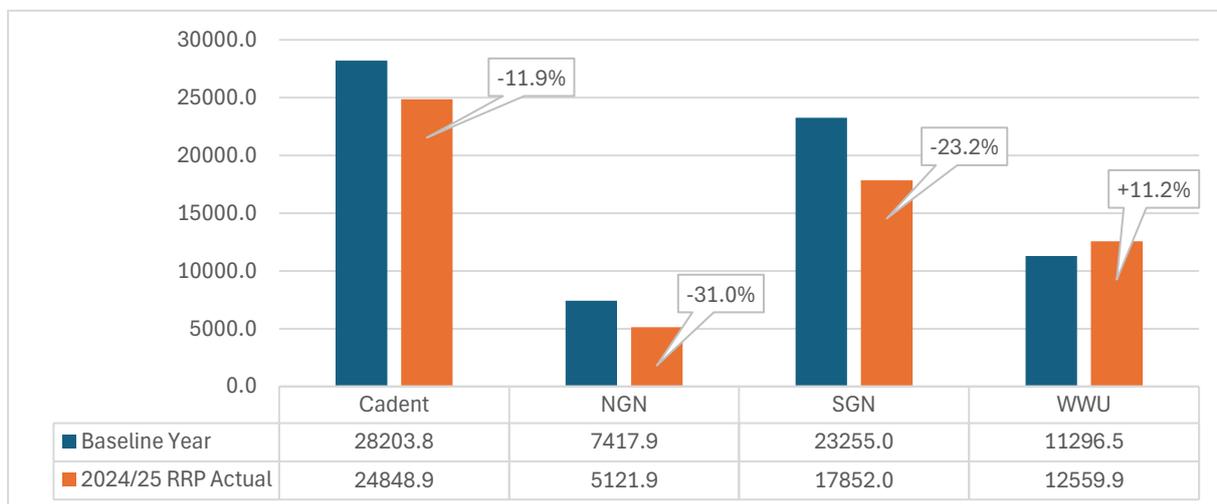
Overall shrinkage volumes across the sector decreased from 2,156 GWh in 2023/24 to 2,110 GWh in 2024/25, which represents a 2.1% reduction year to year and 10.1% over RIIO-GD2.

Table A2.7: Total Shrinkage Volumes in GWh, 2021/22 – 2024/25

Company	GDN	2021/22	2022/23	2023/24	2024/25
Cadent	EoE	381	370	356	342
	Lon	195	184	176	171
	NW	268	256	249	239
	WM	245	235	230	221
NGN	NGN	314	283	268	250
SGN	Sc	168	161	158	154
	So	457	442	423	444
WWU	WWU	320	308	298	289
	Total	2,348	2,239	2,158	2,110

Business Carbon Footprint (BCF)

Figure A2.13: GDN BCF and Baseline Year* Comparison (tCO2e) 2024/25*



*Baseline year for Cadent, SGN, and WWU is 2019/20, and NGN is 2017/18

*NGN and WWU use market-based methodology, Cadent and SGN use a location-based approach

This is a reputational measure and aims to ensure that GDNs take responsibility for their environmental impacts (excluding shrinkage) arising from their networks and are more transparent in what they are doing to mitigate these.

At the time of setting our FDs for RIIO-GD2, we did not have robust data to set target baselines for this output. Instead, GDNs could choose their own targets and methodologies for reporting. We are still developing our understanding of the different methodologies used to measure comparable performance across the GDNs. Below is detailed GDN group performance against their own target levels.

- **Cadent** is progressing toward its long-term goal of a 43% BCF reduction by 2036, achieving an 11.9% reduction at group level in 2024/25. EoE delivered the largest year-on-year improvement (10.7%), followed by WM (9.4%), Lon (7.4%), and NW (6.2%), resulting in an average 8.6% reduction compared to last year.
- **NGN** aims for a 47% reduction by the end of RIIO-GD2 and is currently at 31%. However, emissions have risen annually since 2021/22, including a 0.4% increase in 2024/25. NGN cites challenges with fleet decarbonisation and lingering COVID-19 impacts as key barriers.
- **SGN** remains on track for its 25% reduction by the end of RIIO-GD2 target, reporting a 23.2% group-level reduction in 2024/25. SGN So achieved a 5% year-on-year decrease, while SGN Sc saw a 1.5% increase after strong early progress. Fleet decarbonisation remains the main challenge.
- **WWU** reported a rise in emissions by 11.2% against its baseline and 7% year-on-year in 2024/25, driven by insourcing labour for mains replacement, which moved scope 3 emissions into BCF reflecting a shift in reporting more than growth in emissions, and delays in transitioning its fleet to EVs. Despite these setbacks, WWU continues to work toward its 37.5% reduction goal by 2035.

Section Three: cost category performance

This chapter outlines GDN’s Totex compared to the adjusted totex allowance¹⁹ for the first four years of the RIIO-GD2 price control period (2021-2025) and GDN’s anticipated performance for the five-year price control period (2021-2026).

It also shows GDN performance for individual cost categories – Opex, Capex and Repex. While overall performance is assessed at the totex level (totex versus totex allowances), variances in these categories have been presented to explain the activities that are driving costs for each company.

Points to note:

- Minor rounding discrepancies may be present in the values shown in the tables within this section.
- Allowance values include funding for Real Price Effects (RPEs).
- We discuss GDN performance against allowances at a Capex, Opex and Repex level, but it should be noted that disaggregating totex is subjective, so there is a degree of uncertainty when analysing cost performance against allowances at this level.
- All values quoted in this document are presented in a 2018/19 price base.

Cadent’s overall cost performance

Cadent continues to forecast an overspend of 7.7% (£384m) compared to its totex allowance with mixed performance across its networks. Table X shows that EoE, London and NW are forecast to overspend against the RIIO-GD2 allowances, and WM is currently forecast to underspend by 3%.

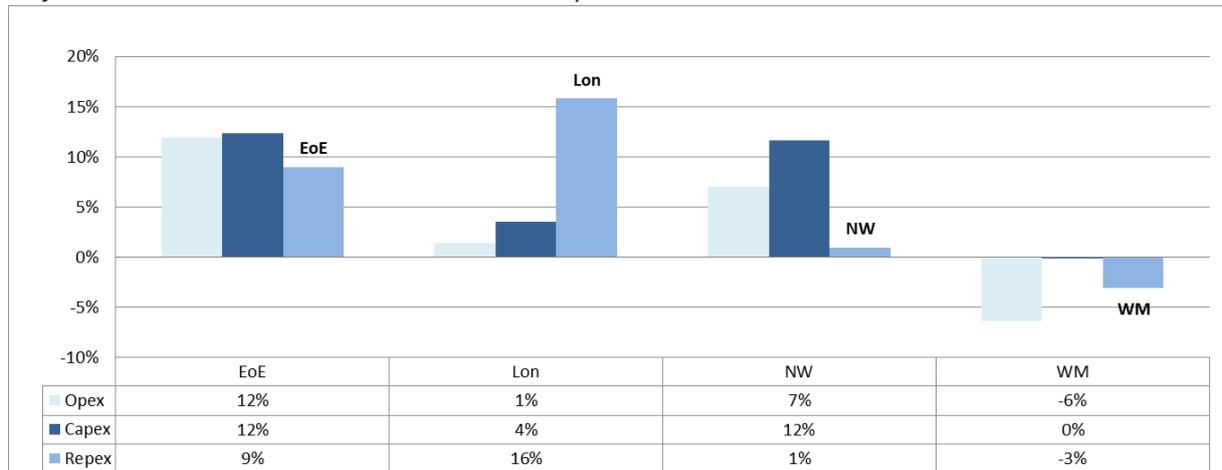
Table A3.1: Cadent’s totex performance (expenditure compared to adjusted allowance)

	4 yr actual expenditure	4 yr allowance	% variance	5 yr actual expenditure	5 yr allowance	% variance
EoE	1,466.6	1,323.7	10.8%	1,874.1	1,650.9	13.5%
Lon	1,142.7	1,052.5	8.6%	1,430.1	1,307.3	9.4%
NW	975.7	927.2	5.2%	1,227.6	1,162.8	5.6%
WM	685.9	713.9	(3.9%)	864.6	891.2	(3.0%)
Cadent	4,271.0	4,017.3	6.3%	5,396.4	5,012.2	7.7%

The figure below shows that Cadent has overspent against its allowances across all cost categories (opex, capex, repex) for three of its networks, while it has underspent across all categories for its WM network.

¹⁹ Adjusted allowances are baseline allowances modified to reflect volume driver and PCD mechanisms, as well as updates for the latest RPE assumptions and Ofgem decisions on reopeners.

Figure A3.1: Cadent’s performance by cost category (four-year expenditure against adjusted allowance shown as % variance)



Cadent’s opex performance

Cadent has overspent against its four-year allowance by 4.7% (£74m) and is forecast to overspend by 7.2% (£143.6m) by the end of RIIO-GD2.

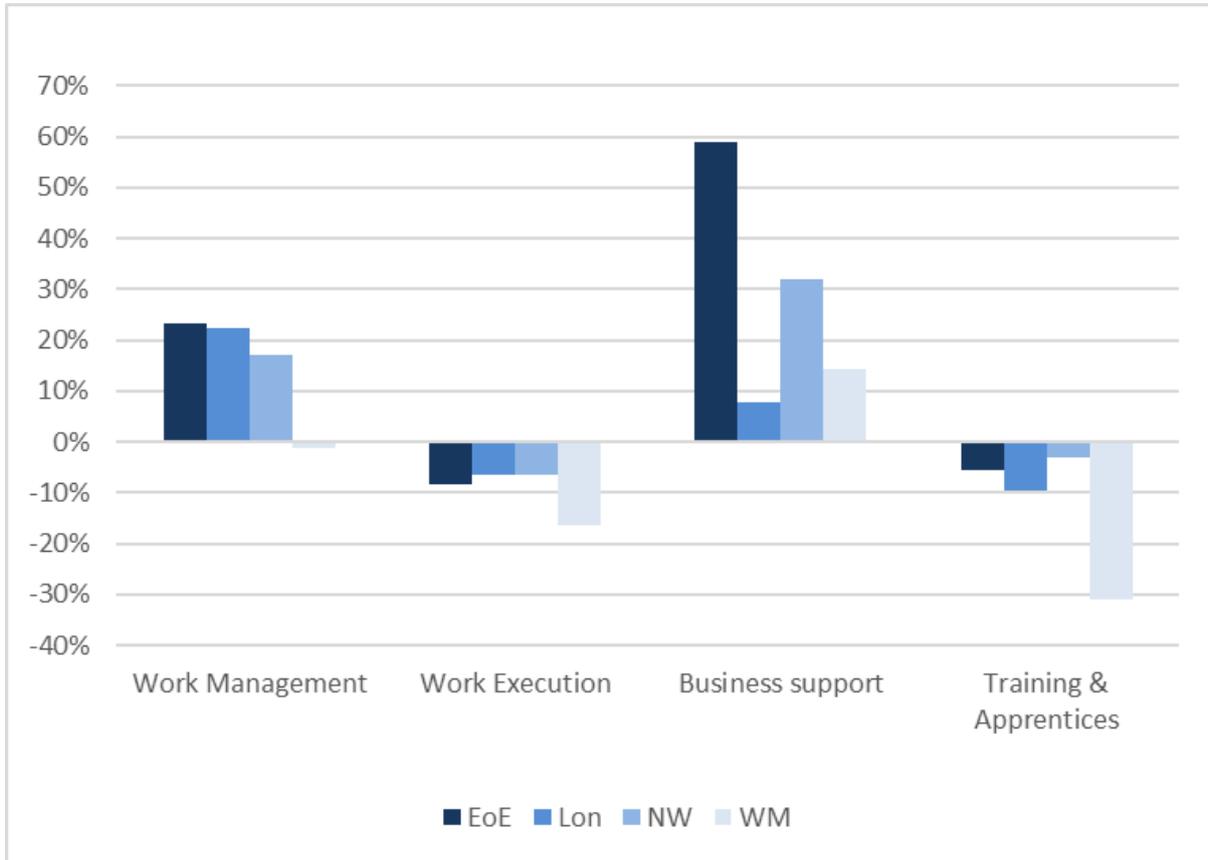
Table A3.2: Cadent’s Opex performance (expenditure compared to adjusted allowance)

£million, 2018/19 prices	Four-year total	Five-year total
1. Total spend	1,659.6	2,133.0
2. Total adjusted allowance	1,585.2	1,989.5
Performance (1-2)	74.4	143.6

Looking across individual opex categories, Cadent has overspent on work management and business support costs and has underspent on work execution and training and apprentices. This trend is forecast to continue in the final year of RIIO-GD2.

Cadent has said that higher work management costs and increased spend on IT projects within business support, as well as additional incident response costs in the EoE and NW networks have increased opex. These pressures were partially offset by lower work execution costs.

Figure A3.2: Cadent’s network Opex performance across cost categories (four-year expenditure compared to adjusted allowance shown as % variance)



Other notable issues:

- Work management** - costs have continued to increase in year 4 of the price control which Cadent has said is driven by higher staff costs, an increase in the cost of materials, transport and plant, and professional fees. It also noted that £6m of costs were reallocated from Work Execution to Work Management following improvements in reporting and cost allocation practices. Additional fatigue management requirements and the increase in National Insurance rates, affecting salary costs in 2025/26, have also led to a revised forecast for RIIO-GD2.
- Work execution** – continued overspend across all four networks for emergency and repair costs, which was offset by continued underspend in maintenance. Cadent has said that while maintenance spend is lower than allowances, work volumes are broadly in line with planned but have been delivered through a cross-flexed workforce, shifting some costs to repair activities.
- Business support costs** – Cadent continues to overspend by 30.6% and is forecasting an overspend of 36.6% (£160.3m) over RIIO-GD2. It said that this is due to activity in several areas including IT&T and property, and inflationary pressures continue to impact several areas including insurance and energy costs. It also noted that some costs have also been reallocated to Work Management.
- Training and apprentices** – although spend in this area has increased annually, and the programme is expected to deliver £70.8m of investment over RIIO-GD2, Cadent is forecast to underspend against its allowance by around 11%. It said that

this reflects a significant commitment to skills and capability, while achieving efficiencies against the original allowance. As at 2024/25, Cadent has recruited an equivalent of 824 FTE apprentices.

Cadent’s capex performance

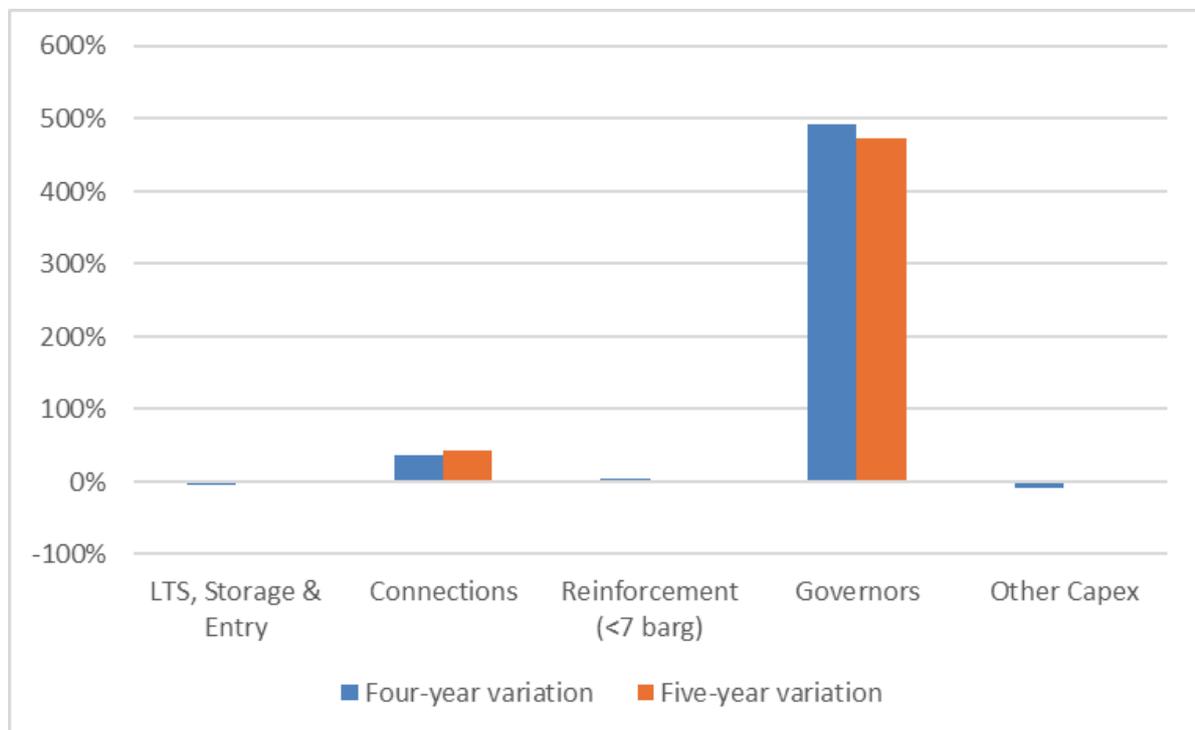
Cadent has overspent against its four-year capex allowance by 8.3% (£56.8m) and forecasts an overspend of 13.6% (£113.4m) by the end of RIIO-GD2.

Table A3.3 Cadent’s Capex performance (expenditure compared to adjusted allowance)

£million, 2018/19 prices	Four-year total	Five-year total
1. Total spend	738.0	947.0
2. Total adjusted allowance	681.2	833.6
Performance (1-2)	56.8	113.4

Cadent has said overspend against its four-year capex allowances is due to a range of factors including investment in governor assets to meet HSE compliance overspend on vehicles and streetworks (see figure X) and supply chain pressures on major projects. It also said that material price inflation, limited supplier capacity, and increased complexity has added further cost pressures which have been partly offset by reclassifying (in line with accounting standards) software-as-a-service IT spend as Controllable Opex.

Figure A3.3: Cadent’s performance by cost category (four-year expenditure against adjusted allowance, £m)



Other notable issues:

- **LTS, Storage and Entry** – spend is in line with allowances and Cadent has said that it is successfully progressing its RIIO-GD2 workload commitments, with major programmes such as metering system upgrades, capacity enhancements, and pressure reduction investments largely delivered across all networks.
- **Connections** – Cadent has reported 36.2% overspend against its four-year allowance and has said that it expects overspend to increase to 42.5% by the end of the price control period. It has said that connection activity continues to fall year-on-year across all four networks. It noted that this trend is consistent across all types of connections.²⁰ Mains connection volumes have dropped by 70.9% (compared to year 1 of RIIO-GD2), and service connections by 55.1%. As with other GDNs, this trend has been driven by Government legislation, financial incentives promoting low-carbon heating alternatives, and the increased uncertainty and cost of gas.
- **Reinforcement** – reinforcement spending is in line with Cadent’s price control allowance. In 2024/25, it reinforced 36.7 km of mains and completed three governor upgrades. Across all four regions, the total so far is 142 km of mains and 10 governors. Costs vary by network, with NW, EoE, and London exceeding allowances. Cadent says this is due to higher workloads (especially in EoE), urban complexity (mainly London and EoE), and inflation. Costs are also influenced by the type of work (more done alongside mains replacement), regional price differences, and some costs being moved from Repex to Capex.
- **Governors** – Cadent has significantly exceeded its allowance by £66.9m to date and this trend is forecast to continue throughout the RIIO-2 period (£79.3m cumulative overspend). It has said that the RIIO-GD2 allowance only accounted for the replacement and refurbishment of District Governors, with no provision for full replacement, decommissioning, or service governors. Cadent has said that its governor programme is almost complete, with the main compliance and upgrades finished by December 2023. A small amount of work remains, and some regions face higher costs due to increased scope and complexity.
- **Other capex** – a small underspend against allowance due to the reallocation of IT and vehicle costs (to Opex), the early completion of major network programmes, and the deferral of some property and cyber investment expenditure into the final year of the price control.

Cadent’s repex performance

Cadent has overspent against its four-year repex allowance by 7% (£122.5m) and forecasts an overspend of 5.8% (£127.2m) by the end of RIIO-2.

²⁰ For example, new and existing housing, non-domestic properties and fuel poor customers.

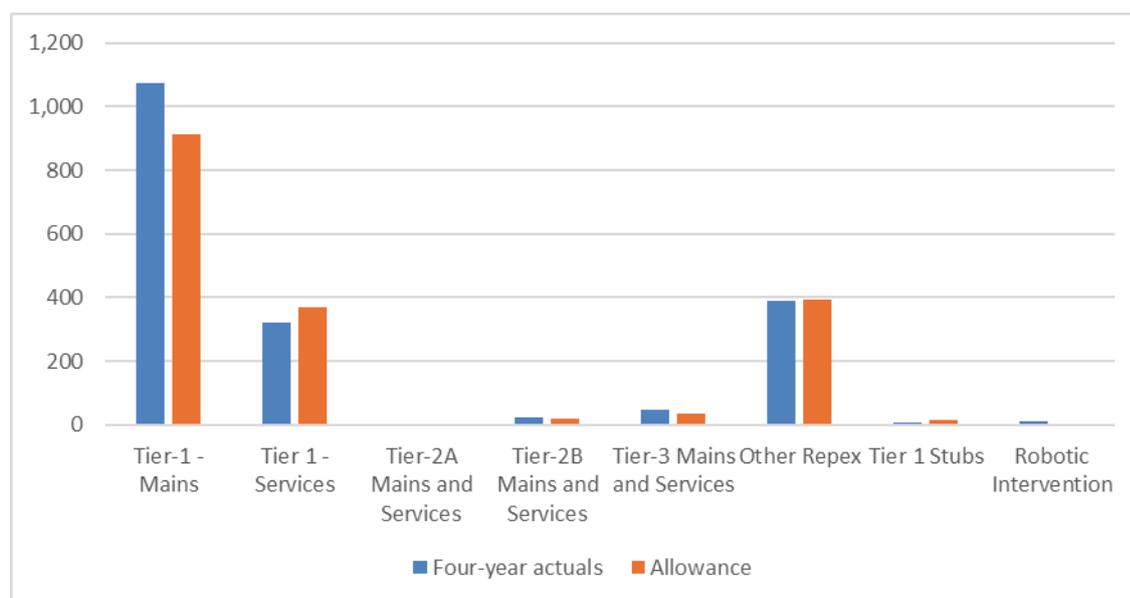
Table A3.4: Cadent’s Repex performance (expenditure compared to adjusted allowance)

£million, 2018/19 prices	Four-year total	Five-year total
1. Total spend	1,873.4	2,316.4
2. Total adjusted allowance	1,750.8	2,189.1
Performance (1-2)	122.5	127.2

Cadent has said that the overspend is largely driven by EoE (9%) and London (15.8%) networks, with a minor contribution from North-West (0.9%). In contrast, it has underspent against its WM network’s repex allowance (3.1% underspend).

Overspend against repex allowances is expected to continue for its EoE and London networks, with Cadent’s NW and WM networks expected to deliver an overall underspend across RIIO-2.

Figure A3.4: Cadent performance by cost category (four-year expenditure against adjusted allowance, £m)



Cadent has said that Repex overspend is due to a combination of factors, including challenging regulatory targets, higher costs in certain regions, inflation, unexpected incidents, and additional essential work that was not anticipated.

Other notable issues:²¹

- **Tier 2A mains and services** - by 2024/25, spend has remained broadly in line with allowances and Cadent anticipates delivering 11.7km of Tier 2A mains in the final year of the price control which would bring overall delivery close to forecast workload.

²¹ Details on Tier 1 Mains and Services performance can be found in Section 2.

- **Tier 2B and T3 mains and services** – Cadent expects higher spending on Tier 2B and Tier 3 mains replacement in the final year of RIIO-GD2, with forecast overspend of £7.6m and £14.2m. So far, it has delivered 67.3 km of Tier 2B mains (against 88.8km FD forecast) and 34km of Tier 3 mains, which should rise to 36.9km by the end of RIIO-GD2 which remains below original Tier 3 targets. Both tiers are managed under the NARM mechanism, which allows risk trading across asset groups as long as overall risk targets are met. Cadent has used this flexibility to manage these programmes.
- **Other repex** - overall, Cadent has said that it is meeting its risk reduction and output obligations, and as with Tier 2B and Tier 3 Repex, Cadent can risk trade across categories if it results in improved outcomes.

NGN’s overall cost performance

NGN has underspent by 8.5% against its allowance and it anticipates an overall underspend of 6.1% at the end of RIIO-GD2. It has underspent across all cost categories (opex, repex, capex), with the largest underspend in capex (19% below its four-year capex allowances).

Table A3.5: NGN’s Totex performance (expenditure compared to adjusted allowance)

	4 yr actual expenditure	4 yr allowance	% variance	5 yr actual expenditure	5 yr allowance	% variance
Opex	347.1	385.8	(10.0%)	444.5	494.2	(10.0%)
Capex	177.8	220.9	(19.5%)	243.9	272.0	(10.3%)
Repex	402.1	406.5	(1.1%)	502.8	502.9	(0.0%)
NGN	927.1	1,013.1	(8.5%)	1,191.2	1,269.1	(6.1%)

NGN’s opex performance

Table A3.6: NGN’s Opex performance (expenditure compared to adjusted allowance)

£million, 2018/19 prices	Four-year total	Five-year total
1. Total spend	347.1	444.5
2. Total adjusted allowance	385.8	494.2
Performance (1-2)	-38.7	-49.6

To date NGN has underspent against its opex allowance by £38.7m and has forecast an overall underspend of £49.6m (10%) for the end of RIIO-GD2.

Figure A3.5: NGN’s Opex performance across cost categories (expenditure compared to adjusted allowance shown as % variance)



NGN has said that opex underspend is due to several factors including efficient cost management, lower-than-expected workloads in emergency and repair, mild winters, as well as successful completion of major programmes ahead of schedule and under budget (for example, the gasholder demolition programme).

NGN also said that resource flexibility, reduced reliance on contractors, and external cost reductions such as lower utility and pension deficit costs have also contributed to its opex performance. However, NGN has said that for some areas, underspend is likely to be temporary, with certain complex projects and maintenance activities expected to increase expenditure in the final year of RIIO-GD2.

Other notable issues:

- Work management** – NGN has said that underspend is due to efficient delivery and resource optimisation. The gasholder demolition programme finished early, reducing costs. Land remediation spend was below forecast due to effective planning and system control costs were lower as staff were redeployed to other asset activities. Operations management costs also reduced, mainly from reduced pension deficit payments.
- Work execution** – NGN overspent on emergency and repair costs in the last two years, but overall, it still underspent by 7.2% (£14.6m) due to significant underspend earlier. NGN has said that the underspend is mainly due to a mild winter reducing callouts, delayed hiring for new safety rules, and efficient resource use. Extra spending on maintenance for strategic catch-up work partly offset these savings.
- Business support costs** - underspend is mainly due to ongoing cost efficiencies, careful management of internal resources, and lower-than-expected spending on areas like property, utilities, and IT projects.

- **Training and apprentices** – NGN has underspent by 11.4% against its four-year allowance but has forecast a 4.5% underspend over the price control period. It has said spend in this area is driven by the need to replenish workforce skills and experience, support long-term resilience, and invest in talent development.

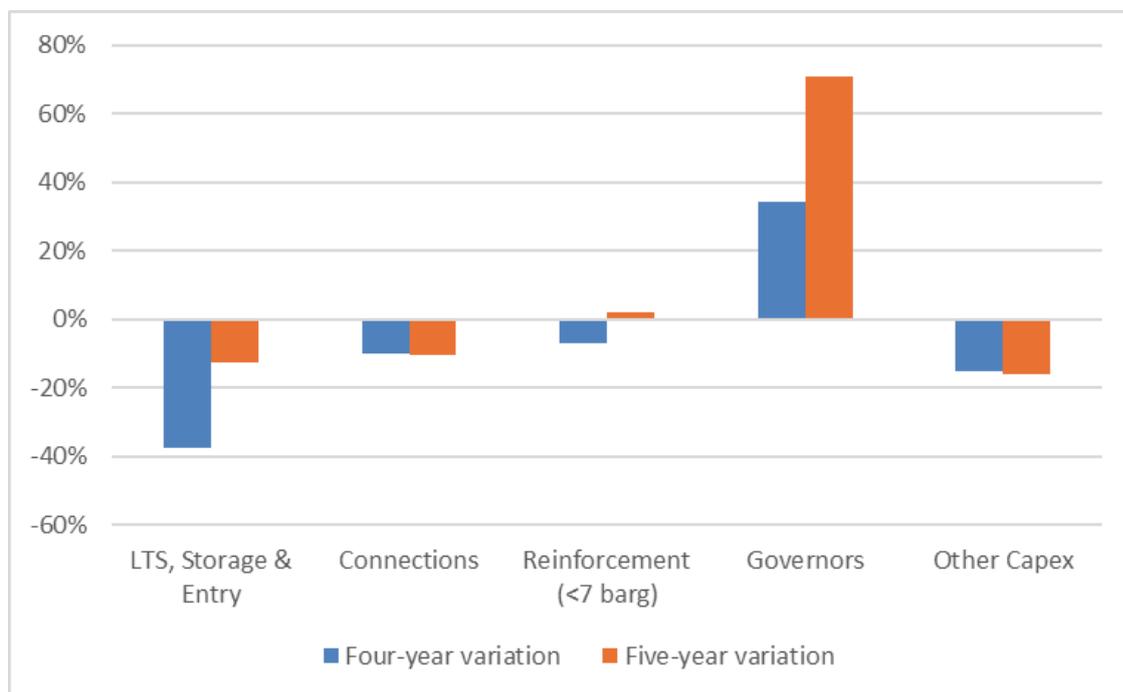
NGN’s capex performance

NGN has spent £177.8m on Capex to date which represents a £43m (19.5%) underspend against its allowance and has forecast an overall underspend across the price control of £28.1m (10.3%).

Table A3.7: NGN’s Capex performance (expenditure compared to adjusted allowance)

£million, 2018/19 prices	Four-year total	Five-year total
1. Total spend	177.8	243.9
2. Total adjusted allowance	220.8	272.0
Performance (1-2)	-43.0	-28.1

Figure A3.6: NGN’s Capex performance across cost categories (expenditure compared to adjusted allowance shown as % variance)



NGN has said that its capex underspend is primarily due to delays in major projects (especially the TransPennine Electrification), lower than expected reinforcement workload, reduced IT & Telecoms expenditure, and ongoing supply chain and contractor resource challenges. Some underspend is partially offset by overspend in other areas such as governors and vehicles.

Other notable issues:

- **LTS, Storage and Entry** - NGN has said that four-year underspend (37.7%) reflects delays in major LTS projects, particularly those linked to the TransPennine Electrification programme, and wider resource constraints. Spend is expected to peak in 2025/26, albeit with reduced overall spend on TransPennine following scope changes.
- **Connections** – underspend reflects the fact that connections and service volumes are 43.7% and around 50% lower than year 1 of the price control. NGN has said that connections workload remains significantly below allowances which has been due to a sustained decline in demand post-Covid, high energy prices, policy uncertainty on heating in new homes, and resulting stranded overheads.
- **Reinforcement** - NGN has delivered a total of 66.8km of mains reinforcement and 45 governor reinforcement programmes over the first four years. It said that workload / costs have fallen due to fewer enquiries from large energy consumers.
- **Governors** – overspend of £2.2m above four-year allowance and this is trend is expected to continue next year, with a forecast overspend of £5.7m by the end of RIIO-GD2. NGN has said that this is due to increased workload as part of its service governor programme and ongoing site upgrades.
- **Other capex** – underspend of £15.4m (15.3%) against a four-year allowance, mainly due to project delays (notably Network Rail overcrossings), efficient IT project delivery and external challenges, partially offset by higher vehicle costs. It expects this underspend to reverse next year as delayed projects catch-up and cost pressures increase.

NGN’s repex performance

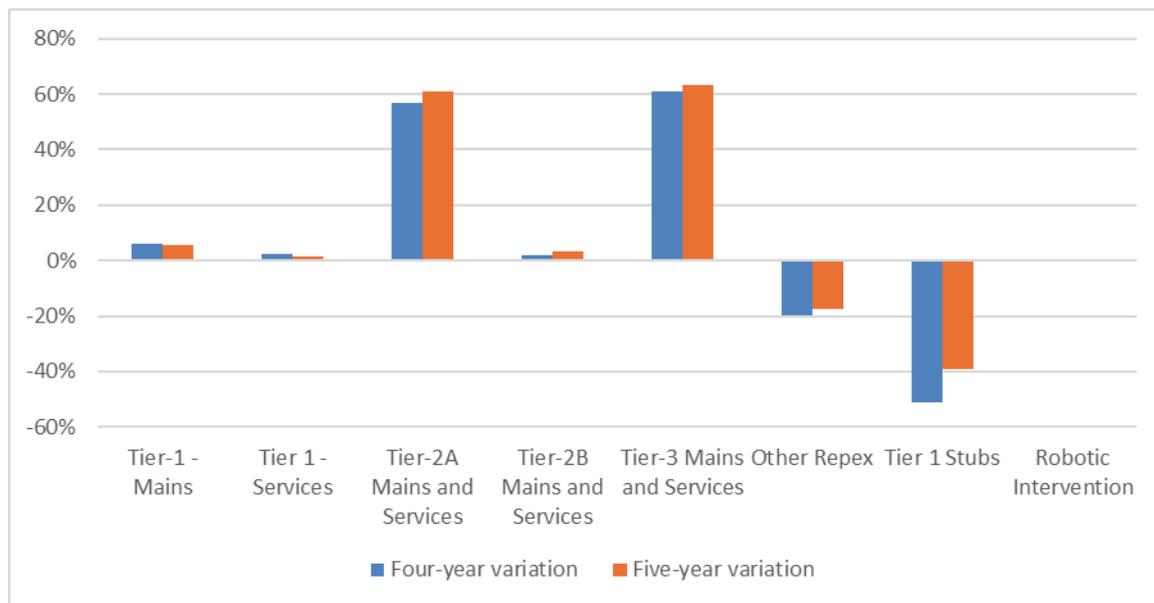
By 2024/25, NGN’s expenditure is broadly aligned with its allowance, and this trend is expected to continue for the final year of RIIO-GD2.

Table A3.8: NGN’s Repex performance (expenditure compared to adjusted allowance)

£million, 2018/19 prices	Four-year total	Five-year total
1. Total spend	402.1	502.8
2. Total adjusted allowance	406.4	502.9
Performance (1-2)	-4.3	-0.1

NGN note that its approach to Repex efficiency is built on direct delivery, continuous process improvement, proactive planning, and effective use of regulatory mechanisms. While external cost pressures have increased, these strategies have enabled NGN to keep Repex costs broadly in line with allowance over the RIIO-GD2 period.

Figure A3.7: NGN’s Repex performance across cost categories (expenditure compared to adjusted allowance shown as % variance)



Other notable issues:²²

- **Tier 2A mains and services** – spend is forecast at £6.2m which is £2.3m above allowance. NGN undertook a limited amount of work in 2024/25, bringing total delivery to 6.2 km. It expects 8.2 km by the end of RIIO-GD2, 1.9 km below the FD target. GN has said that Tier 2 volumes are hard to predict, which is why a volume driver was introduced.
- **Tier 2B and Tier 3 mains and services** – NGN is broadly in line with Tier 2B allowances, but it has overspent its Tier 3 allowance by £7.4m.
- **Other repex** – NGN is forecasting an underspend of £23.1m (14.4%) by the end of the price control period. It has said that overall delivery is expected to align with allowed workloads, although some targets may vary due to unpredictable factors. It notes that current trends indicate a slight over-delivery across RIIO-GD2.

SGN’s overall cost performance

SGN has overspent by 1.7% (£37.5m) against its totex allowance to date, with mixed performance across its networks. SGN Southern has overspent by 8.1%, while SGN Scotland has underspent by 10.4% (£82.4m). These trends are expected to continue, with SGN group-level overspend rising to 7.6% (£217.1m) by the end of RIIO-GD2.

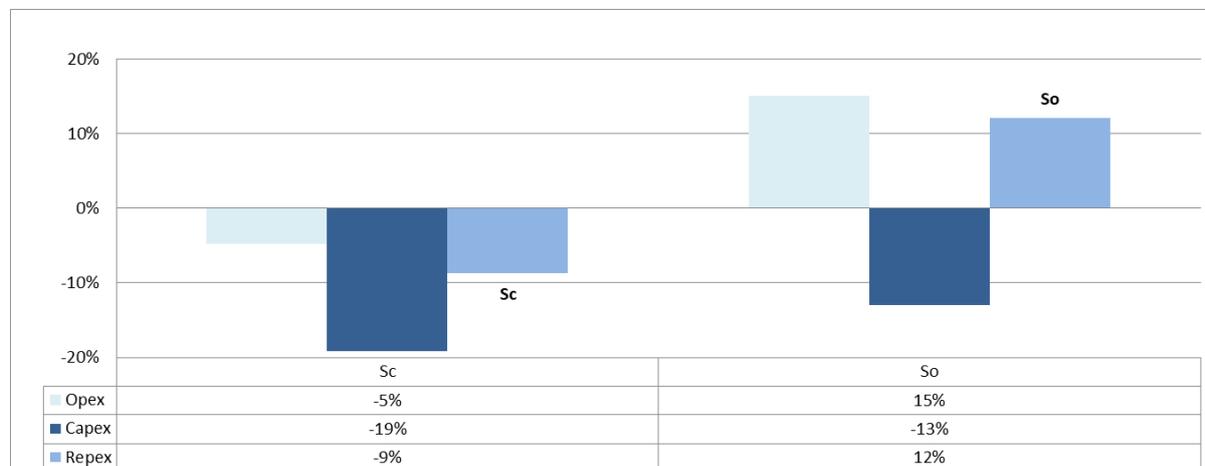
Table A3.9: SGN’s totex performance (expenditure compared to adjusted allowance)

	4 yr actual expenditure	4 yr allowance	% variance	5 yr actual expenditure	5 yr allowance	% variance
Sc	712.2	794.7	(10.4%)	949.1	990.9	(4.2%)
So	1,598.2	1,478.2	8.1%	2,117.0	1,858.2	13.9%
SGN	2,310.5	2,272.9	1.7%	3,066.2	2,849.1	7.6%

²² Details on Tier 1 Mains and Services performance can be found in Section 2.

The figure below shows that SGN Scotland has underspent against its allowances across all cost categories (opex, capex, repex). SGN Southern has also underspent capex but has overspent against opex and repex allowances.

Figure A3.8: SGN’s performance by cost category (four-year expenditure against adjusted allowance show as % variance)



SGN’s opex performance

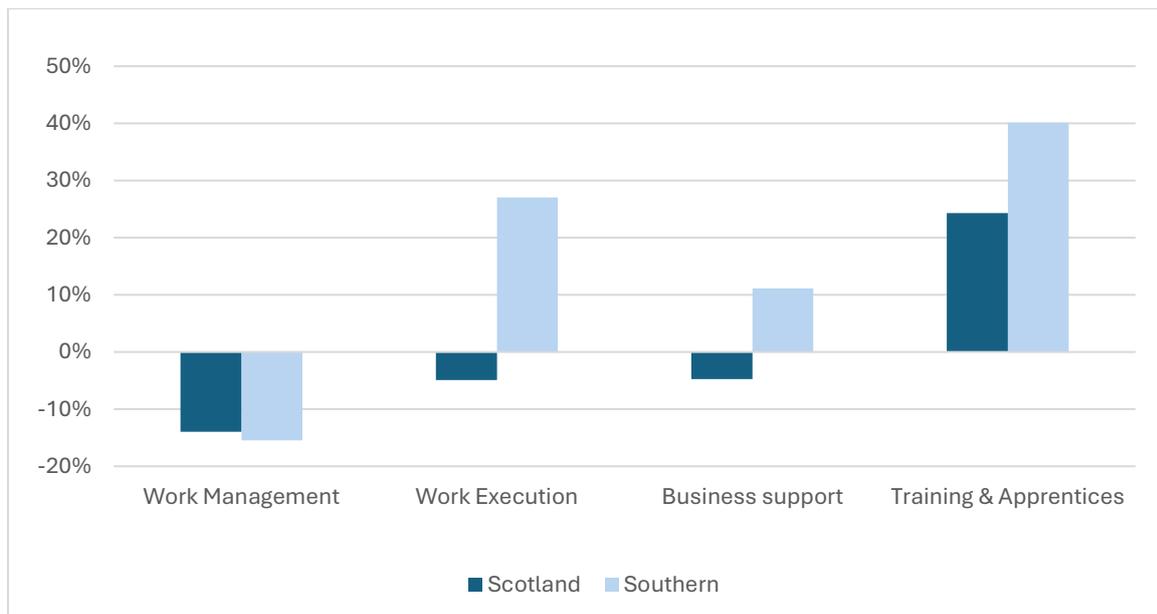
SGN is currently 7.8% (£63.3m) above its Opex allowance, and this trend is expected to continue into the final year of RIIO-GD2. SGN has forecast that it will exceed its RIIO-GD2 opex allowance by 12.7% (£132.3m).

Table A3.10: SGN’s Opex performance (expenditure compared to adjusted allowance)

£million, 2018/19 prices	Four-year total	Five-year total
1. Total spend	878.9	1,172.2
2. Total adjusted allowance	815.6	1,040.4
Performance (1-2)	63.3	132.3

SGN’s overspend is mainly driven by performance of its Southern network (15% overspend against four-year allowance), with SGN Scotland forecast to underspend (by 5%).

Figure A3.9: SGN’s network Opex performance across cost categories (four-year expenditure compared to adjusted allowance shown as % variance)



SGN has said that overspend in its Southern region is driven by workforce expansion, rising streetworks charges, and persistent high repair volumes, alongside specialist maintenance and IT investment.

Other notable issues:

- Work management** - SGN has said that it anticipates an overspend in year 5 but an overall underspend across the five -year period. SGN Southern experienced rising cost due to a significant expansion in supervisory roles, necessary to support a larger front-line workforce.
- Work execution** - SGN has overspent by 14.7% so far, mainly due to performance in its Southern network which has experienced significant overspend in the emergency, repair, and maintenance category. The overspend is driven by the need to hire and train more staff to maintain emergency response standards, high volumes and complexity of repairs, and greater use of specialist contractors. Rising regulatory and streetworks costs and major incidents added pressure. In contrast, SGN Scotland’s costs are closely aligned with allowances
- Business support costs** – SGN has overspent so far and expects to overspend for the full RIIO-GD2 period. Its Southern networks overspend is mainly due to complex operations needing more organisational support. In contrast, Scotland’s underspend reflects stable requirements and efficient cost control in support functions.
- Training and apprentices** - SGN is forecast to exceed allowances by 48% (£24.2m). It has said that investment in its Southern region reflects the need to support a larger and growing workforce.

SGN's capex performance

Both SGN regions continue to underspend against Capex allowances, with a total underspend of 15.7% against capex allowance. By the end of RIIO-GD2, SGN expects an underspend of £50.6m (7.7%).

Table A3.11: SGN's Capex performance (expenditure compared to adjusted allowance)

£million, 2018/19 prices	Four-year total	Five-year total
1. Total spend	452.1	605.5
2. Total adjusted allowance	536.2	656.1
Performance (1-2)	-84.2	-50.6

Figure A3.10: SGN's Capex performance across cost categories (expenditure compared to adjusted allowance shown as % variance)

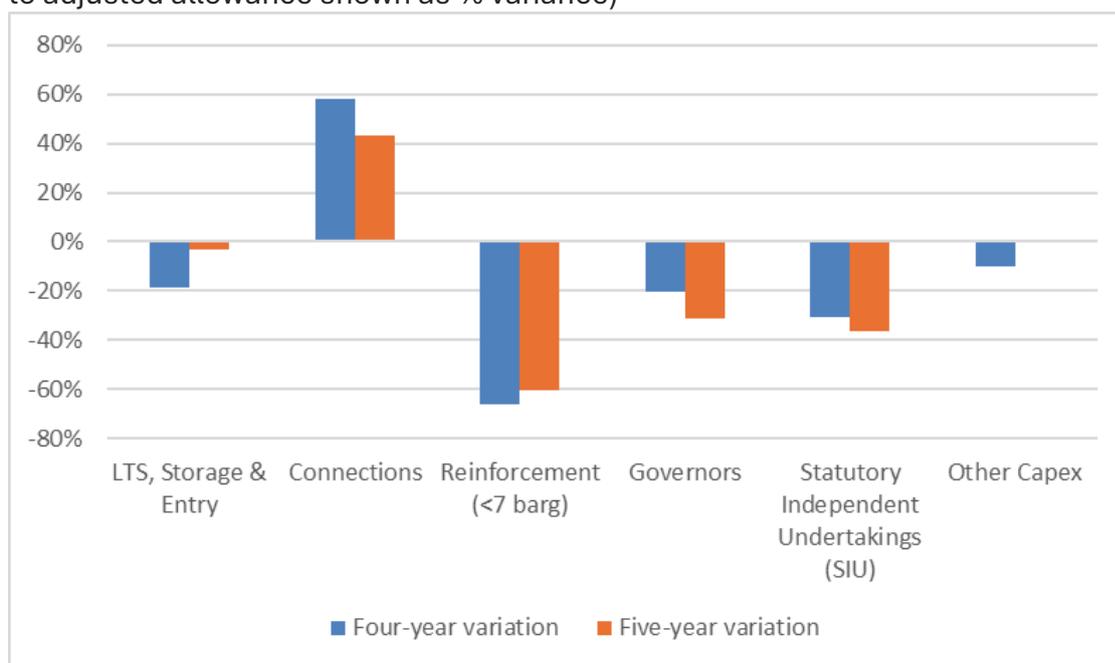
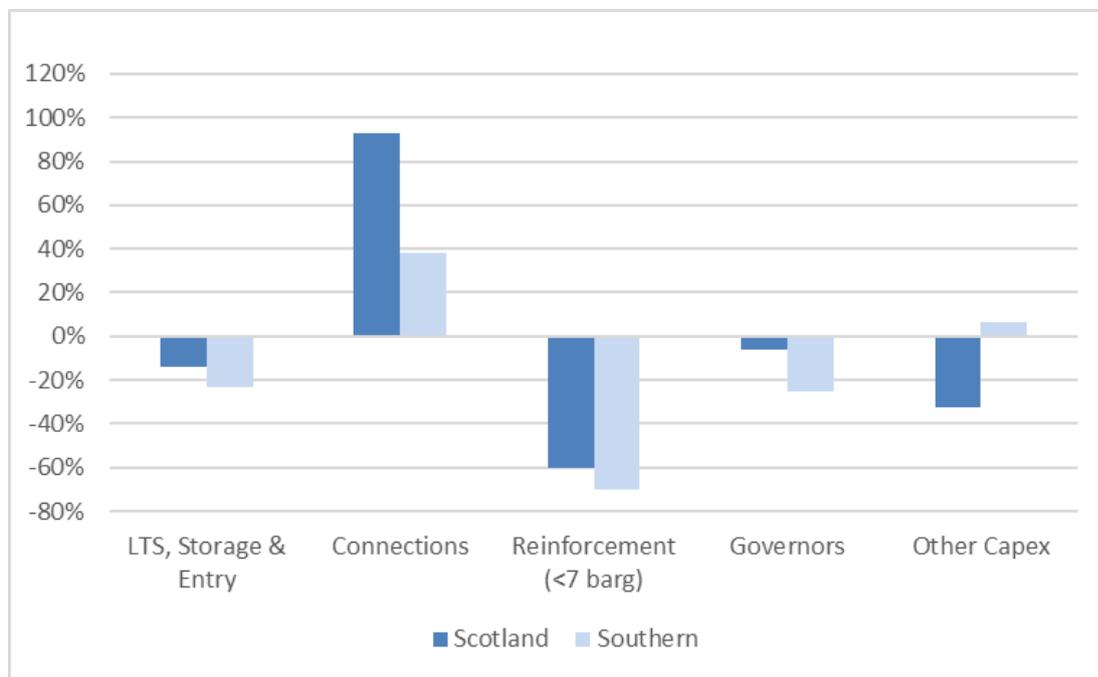


Figure A3.11: SGN’s network Capex performance across cost categories (four-year expenditure compared to adjusted allowance shown as % variance)



SGN has said that Capex underspend is mainly due to project timings (some work delayed or shifted to later years) and cost differences between projects (with savings offsetting overruns). All capital projects are still expected to be completed on schedule.

Other notable issues:

- LTS, storage and entry** – SGN has underspent £37.5m (18.8%) over the first four years and expects a smaller 3.1% underspend by the end of RIIO-GD2. Most major projects are complete or on track despite some cost and material challenges.
- Connections** – SGN has overspent by 58.2%. While mains connections rose slightly from last year, 2024/25 volumes are 39% lower than year 1, and service volumes have halved. SGN has said that demand for new gas connections is falling sharply, especially in housing, due to legislation restricting gas installations and the shift towards greener heating. Lower volumes reduce allowances and leave fixed overhead costs, driving the overspend.
- Reinforcement** – SGN has underspent by 65.8% (£37.2m), and this trend continues into the final year of RIIO-GD2. In 2024/25, it delivered 17 km of mains reinforcement (total 47.4 km) and 9 governors (total 21). SGN has said that progress was slowed by easement delays, engineering challenges, resource constraints, and cancelled customer projects. Some work tied to third-party developments has been deferred to 2025/26.
- Governors** – SGN has underspent by 20.3% so far and expects to finish RIIO-GD2 about 31% below allowance. It has said that governor replacements are broadly on track, with district governor work progressing well. Service governor volumes are behind due to resource issues, but a dedicated program is planned for RIIO-GD3.

- **Other capex** – SGN expects an overspend of £1.3m for RIIO-GD2, mainly due to higher costs in the final year. It said that in 2024/25, work focused on upgrading and replacing assets like security, tools, property, and IT. Most projects progressed as planned to support operations and compliance, while some environmental initiatives were deferred to next year.

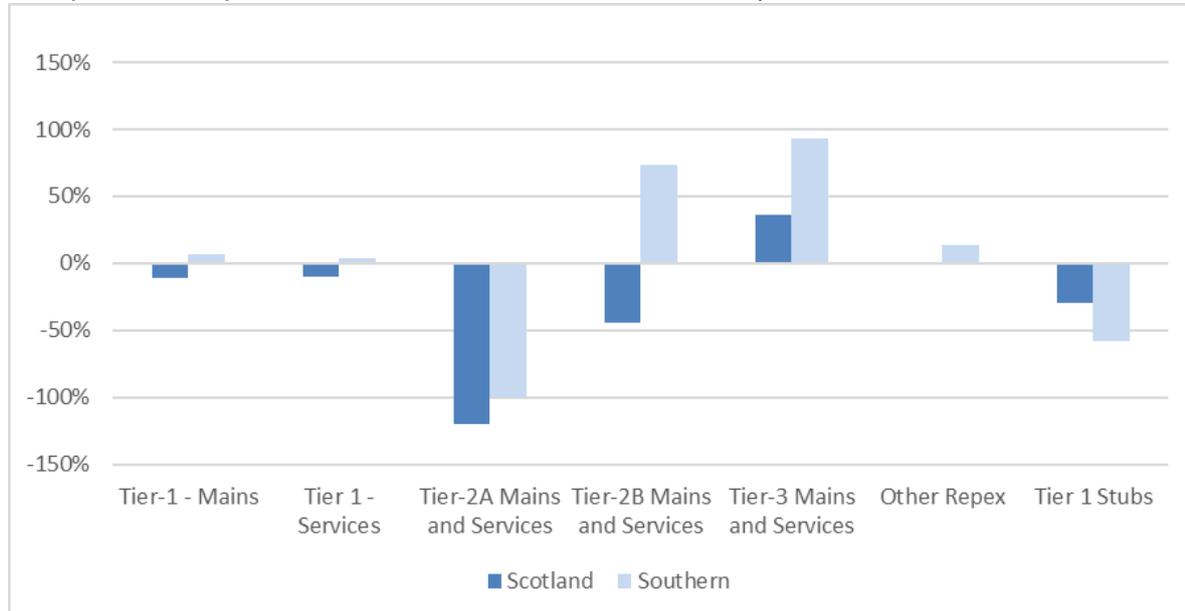
SGN’s repex performance

SGN moved from an underspend against its repex allowance in year 3 to an overspend in year 4, exceeding its Repex allowance by £58.4m (6.3%) at the end of 2024/25. This is expected to rise to £135.4m (11.8%) overspend by the end of RIIO-GD2. Cost performance varies significantly across SGN’s two regions.

Table A3.12: SGN’s Repex performance (expenditure compared to adjusted allowance)

£million, 2018/19 prices	Four-year total	Five-year total
1. Total spend	979.5	1,288.0
2. Total adjusted allowance	1,288.0	1,152.6
Performance (1-2)	58.4	135.4

Figure A3.12: SGN’s four-year Repex performance across cost categories (expenditure compared to adjusted allowance shown as % variance)



SGN has said that Southern’s Repex overspend is due to higher contractor and labour costs, complex projects, and regulatory demands that were not fully covered by Repex allowances set at final determinations. In contrast, Scotland’s underspend reflects a more stable environment, efficient delivery, and fewer external pressures, allowing it to exceed targets at a lower cost and forecast an underspend by the end of RIIO-GD2.

Other notable issues:²³

- **Tier 2A mains and services** – SGN has said that underspend is mainly because anticipated workload has not materialised. No Tier 2A mains were decommissioned in the last three years. SGN has said that pipes triggering the Risk Action Threshold (RAT) are unlikely to be identified, so it has reduced workload for 2025/26 with a corresponding reduction in allowance due to the volume driver mechanism
- **Tier 2B and Tier 3 mains and services** – SGN considers that final determination volumes were too low. It delivered more kilometres of mains than forecast because NARM risk targets required faster work due to worsening asset condition and safety risks. This led to higher replacement volumes than planned.
- **Other repex** – SGN has spent £245.1m to date, which is £21.1m above its allowance, and forecasts total spend of £320.2m, £41m (14.7%) above the RIIO-GD2 allowance. SGN has said that it is delivering all key Other Repex work areas, with strong performance in Scotland but with more delivery challenges in the Southern network.

WWU’s overall cost performance

WWU has underspent against its four-year totex allowance but expects a smaller underspend by the end of RIIO-GD2. It has underspent on opex and capex but overspent on repex, and this trend of underspend/overspend is expected to continue in the final year.

Table A3.13: WWU’s totex performance (expenditure compared to adjusted allowance)

	4 yr actual expenditure	4 yr allowance	% variance	5yr actual expenditure	5yr allowance	% variance
Opex	344.7	416.2	(17.2%)	448.8	522.7	(14.1%)
Capex	250.6	273.5	(8.4%)	340.8	349.7	(2.6%)
Repex	397.9	361.4	10.1%	512.8	450.8	13.7%
WWU	993.2	1,051.1	(5.5%)	1,302.4	1,323.2	(1.6%)

Previously WWU had forecast an overspend against its RIIO-2 allowance. It has said that the shift from a forecast overspend to a forecast underspend in year 4 is due to several factors which are discussed below including the reduction in opex and capex through renegotiated supplier contracts, IT/ telecoms savings, increased workforce utilisation and deferring or rephasing capital projects.

WWU’s opex performance

WWU has underspent against its four-year opex allowance by 17.2% (£71.4m).

²³ Details on Tier 1 Mains and Services performance can be found in Section 2.

Table A3.14: WWU’s Opex performance (expenditure compared to adjusted allowance)

£million, 2018/19 prices	Four-year total	Five-year total
1. Total spend	344.7	448.8
2. Total adjusted allowance	416.2	522.7
Performance (1-2)	-71.4	-73.9

WWU has said that opex underspend is primarily explained by their strategic shift to an in-house delivery model, increased use of their core workforce for multiple activities (including non-regulated work), cost-cutting measures, and a focus on efficiency. They also cite external factors such as a milder winter and the closure of their Defined Benefit Pension Scheme as contributing to lower Opex.

Figure A3.13: WWU’s Opex performance across cost categories (expenditure compared to adjusted allowance shown as % variance)



Other areas to note include:

- **Work management** – WWU has underspent £15.3m (16.7%) to date and expects a 14.9% underspend by the end of RIIO-GD2. The last gas holder was removed in 2023/24. Operational management costs increased due to reduced capitalisation from lower mains replacement and more operational work.
- **Work execution** – WWU has underspent £43.4m (22.7%) over four years and expects a 23.7% underspend by the end of RIIO-GD2. It has said that this is mainly due to using more in-house staff instead of contractors, workforce flexibility, and performance management. A mild winter reduced emergency and repair costs, and pension scheme closure contributed to further savings. WWU has delivered all planned maintenance while optimising resources.
- **Business support costs** – WWU has underspent £7.7m (6.6%) to date but expects a 3.7% overspend by the end of RIIO-GD2. It has said that the underspend

is due to delayed projects and investments, but that costs will rise next year as postponed IT, cyber, and compliance work is completed and operational demands increase.

- **Training and apprentices** – WWU is £5.1m (30.2%) under its four-year allowance and expects a £6.0m (28.7%) underspend by the end of RIIO-GD2. It has said that this is due to bringing training in-house, streamlining processes, and focusing investment on core business needs—cutting reliance on external providers and reducing admin costs.

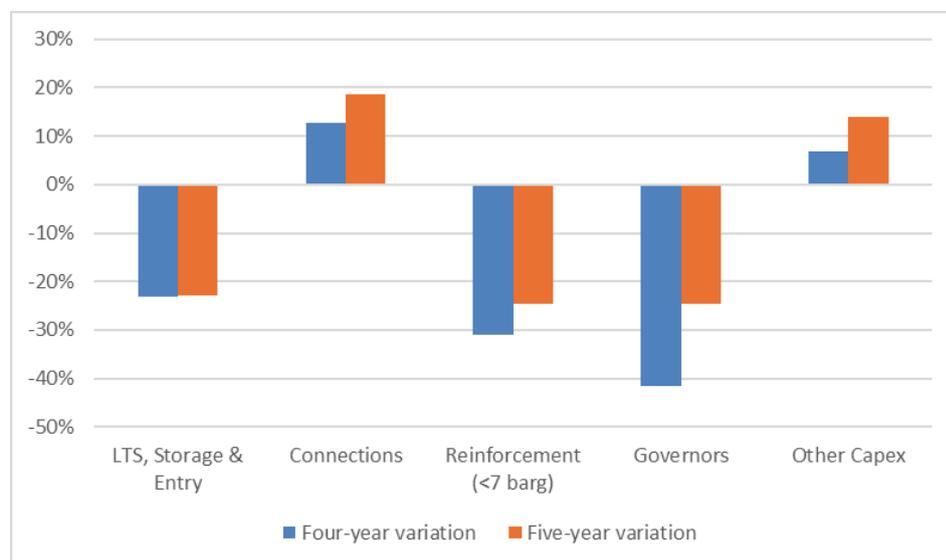
WWU’s capex performance

WWU has moved to a four-year underspend position, reversing the trend from overspend in previous years of the price control period.

Table A3.15: WWU’s Capex performance (expenditure compared to adjusted allowance)

£million, 2018/19 prices	Four-year total	Five-year total
1. Total spend	250.6	340.8
2. Total adjusted allowance	273.5	340.8
Performance (1-2)	-22.9	340.8

Figure A3.14: WWU’s Capex performance across cost categories (expenditure compared to adjusted allowance shown as % variance)



WWU forecasts a significant overspend in the final year of RIIO-GD2, which would reduce the overall underspend to £8.9m (2.6%). WWU has said that overall underspend is mainly due to the timing (phasing) of project costs, operational efficiencies, delayed or rephased IT and infrastructure projects, and a general focus on cost control and efficiency across capital activities.

Other areas to note include:

- **LTS, Storage and Entry** - WWU has spent £73m compared to a four-year allowance of £95m, continuing its underspend trend. It has said that it has delivered the fourth year of its RIIO-GD2 LTS network programme.
- **Connections** – WWU has overspent £4.1m (12.6%) to date and expects this to rise to £6.9m (18.7%) by the end of RIIO-GD2. It has said that connections are falling sharply—mains down 61.9% and services down 57.4% since year 1—due to declining demand. This decline in demand for connections leaves fixed costs and back-office resources stranded, which it has said is driving the overspend.
- **Reinforcement** – WWU has underspent £7.8m (31.1%) over four years and expects an overall underspend of £7.5m (24.5%) by the end of RIIO-GD2. It has delivered 51.5 km of mains reinforcement, with 11.1 km in 2024/25, but no governor reinforcement works took place. WWU has said that reinforcement activity has risen, but at higher unit costs due to market pressures and project complexity.
- **Governors** – WWU is £4.6m (41.6%) under its four-year allowance and expects this to reduce to £3.3m (24.5%) by the end of RIIO-GD2 as spending accelerates. It has completed year four of its distribution pressure management programme and remains on track to deliver all committed outputs.
- **Other capex** – WWU expects overspend to reach £21.4m (14.1%) by the end of RIIO-GD2. It has said that this is mainly due to higher investment in vehicles, new depots and property upgrades, major IT and cyber projects, inflation on equipment, and a strategic shift to insource and modernise operations, driving up upfront costs.

WWU’s repex performance

WWU has overspent by £36.5m (10.1%) against its four-year allowance. It forecasts a total Repex overspend of £62m (13.7%) across the RIIO-GD2 period.

Table A3.16: WWU’s Repex performance (expenditure compared to adjusted allowance)

£million, 2018/19 prices	Four-year total	Five-year total
1. Total spend	397.9	512.8
2. Total adjusted allowance	361.4	450.8
Performance (1-2)	36.5	62.0

WWU considers that repex overspend is primarily due to insufficient regulatory allowances, along with escalating labour, material, and streetworks costs, changing work characteristics, and mandatory programme requirements. It said that despite mitigation efforts, these pressures have outpaced both regulatory adjustments and internal efficiencies.

Figure A3.15: WWU’s Repex performance across cost categories (expenditure compared to adjusted allowance shown as % variance)

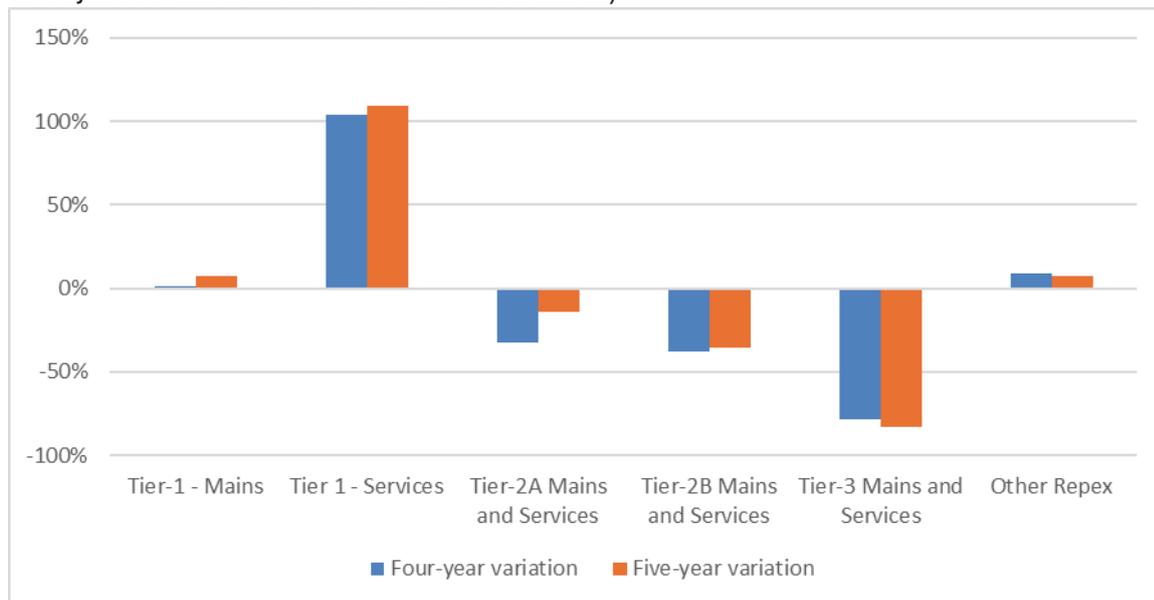


Figure A3.15 shows that WWU’s performance across the disaggregated repex categories varies:²⁴

- **Tier 2A mains and services** - as of 2024/25, WWU spent a total of £0.7m against an allowance of £1m and it does not forecast further spend on Tier 2A. WWU has delivered largely in line with the FD forecast for Tier 2A Mains and Services.
- **Tier 2B and Tier 3 mains and services** - WWU has spent £10.9m so far, £17.7m (38.1%) below its £28.6m Tier 2B allowance. It expects the underspend to grow to £12.6m by the end of RIIO-GD2. Tier 3 spending has increased compared to previous years but remains below the four-year allowance.
- **Other repex** – WWU has overspent £8.8m (8.6%) to date and expects a 7.6% overspend by the end of RIIO-GD2. It has said that the higher costs are mainly due to more complex replacement work, rising labour and material prices, and regulatory requirements.

²⁴ Details on Tier 1 Mains and Services performance can be found in Section 2.

Section Four: Capital projects PCDs

The purpose of this Price Control Deliverable (PCD) is to hold companies accountable for the delivery of specific funded capital projects. The PCD mechanism ensures that funding is returned to customers if the output is not fully delivered by the end of the period.

As of 2024/25, one project has been fully completed, and all other projects are on track for completion by March 2026, except for one element of a project that was cancelled.

Cadent

Project name: Lowestoft
Licence Condition: Sc. 3.12 Capital Projects PCD
Description of anticipated Output: Replace interim PE pipes within the service tunnel at Lowestoft Harbour with a permanent 8” steel pipe.
Delivery date: 31 March 2026
Total Allowance: £2.25m
Status: Delivered
Cadent info: The Lowestoft Harbour project was completed in the first year of RIIO-GD2 with a permanent steel pipe.

Project Name: Capacity upgrades > 7bar
Licence Condition: Sc. 3.12 Capital Projects PCD
Description of anticipated Output: Upsize the following 13 sites to meet peak 1-in-20 year demand: EoE: March, Maltby, Eye Green Offtake, West Winch Offtake, Teversham, Westfield. NW: Ashton Under Lyne, Thornton, Barrowford, Longridge Road, Hambleton PRI. WM: Dawley, Kinver.
Delivery Date: 31 March 2026
Status: All upgrades on track with the exception of one that was cancelled
Total Allowance: £29.34m
Cadent Info: For the 13 capacity upgrades, two project were cancelled, one project was completed in 2023/24, three projects are in construction and expected to be completed in 2024/25, six projects are in detailed design and planned for delivery in 2025/26, one project is in conceptual design, and one project has had a feasibility study completed.

Project Name: Offtakes & PRS Metering
Licence Condition: Sc. 3.12 Capital Projects PCD
Description of anticipated Output: Replace the flow weighted average calorific value metering systems at the following offtake sites: EoE: Great Wilbraham, Matching Green, Sutton Bridge, Royston, Walesby, Bacton, Kirkstead, Brisley. London: Horndon, Dunstall Green Inter-LDZ. NW: Warburton, Partington, Ecclestone. WM: Alrewas (A), Leamington, Hydes Pastures Inter-LDZ, Atherstone Inter-LDZ, Rugby.
Delivery Date: 31 March 2026
Status: On track
Total Allowance: £16.88m
Cadent Info: For the 18 Offtake sites, three projects were completed in 2023/24, six projects are in construction and expected to be completed in 2024/25, one project is in detailed design with the construction tender under evaluation, and eight projects are in detailed design and planned for delivery in 2025/26.

NGN

Project Name: TransPennine
Licence Condition: Sc. 3.12 Capital Projects PCD
Description of anticipated Output: Carry out diversionary works required for the TransPennine electrification upgrade scheme for Ridge Road overcrossing, Dewsbury 17bar overcrossing, Austhorpe Lane overcrossing, and distribution crossings (intermediate, medium and low pressure).
Delivery Date: 31 March 2026
Status: On track
Total Allowance: £19.14m
NGN Info: The LTS asset diversions for the Network Rail Trans-Pennine Upgrade (TRU) project are progressing at different stages: <ul style="list-style-type: none"> • TRU West Scheme: Reduced from three to two diversions, saving costs. Expected completion in Autumn 2024. The remaining diversions at Heaton

Junction are set to finish by January 2025, with significant funding from Network Rail.

- **TRU East Scheme:** Diversions have resumed. Ridge Road is nearing land negotiation completion, while Austhorpe Lane is delayed due to ongoing negotiations. A trenchless crossing contractor tender is due in July 2024. Both schemes aim for 2025 delivery, starting in Q4 of Year 4.

These projects depend on Network Rail's requirements, and changes could lead to suspension or cancellation.

Project Name: Overcrossings

Licence Condition: Sc. 3.12 Capital Projects PCD

Description of anticipated Output: Remediate 45 overcrossings known to have extreme deterioration in asset condition and carry out security upgrades at 63 overcrossings.

Delivery Date: 31 March 2026

Status: On track

Total Allowance: £8.14m

NGN Info: Under this PCD, NGN aims to deliver 39 condition upgrades, 11 removals, 2 replacements, and 67 security upgrades for £8.4m over RIIO-2. In Year 3, NGN completed 5 condition upgrades, 5 removals, and 17 security upgrades. The running cost to date is £1.26m, slightly exceeding the £833k allowance. This includes costs for future schemes, significant expenses for agreements with Network Rail, and licenses for the EA and Canals & Rivers Trust. NGN forecasts that costs will exceed the allowance by around £53k.

SGN

Project Name: RO2 Dunkeld

Licence Condition: Sc. 3.12 Capital Projects PCD

Description of anticipated Output: Construct a new pressure reduction station at Dunkeld and a new IP main from the pressure reduction station to the outlet of Logierait PRS. Abandon the elements of the existing steel HP pipeline with compromised integrity from Dunkeld to Logierait and install a new district governor to receive gas from the new IP pipeline.

Delivery Date: 31 March 2026

Status: On track
Total Allowance: £23.11m
SGN Info: PRS commissioned, IP laid and being commissioned, uprating complete

Project Name: T8: Pitcairngreen to Huntingtower - R04 and R05
Licence Condition: Sc. 3.12 Capital Projects PCD
Description of anticipated Output: Reinforce the Pitcairngreen to Huntingtower pipeline (supplying Huntingtower PRS) by installing a new pipeline and facilities to allow Inline Inspection of the new pipeline.
Delivery Date: 31 March 2026
Status: On track
Total Allowance: £6.61m
SGN Info: Reinstatement of washout complete, on target for completion

Project Name: E&I Upgrade Programme
Licence Condition: Sc. 3.12 Capital Projects PCD
Description of anticipated Output: The full, or partial, upgrade of the required electrical, instrumentation and control assets at offtakes and PRS sites: Offtake sites: <ul style="list-style-type: none"> • Scotland Gas Networks plc: 5 Sites • Southern Gas Networks plc: 2 Sites PRS sites: <ul style="list-style-type: none"> • Scotland Gas Networks plc: 4 Sites • Southern Gas Networks plc: 23 Sites
Delivery Date: 31 March 2026
Status: On track
Total Allowance: £7.38m
SGN Info: <ul style="list-style-type: none"> • Scotland: Programme of 9 projects (3 delivered, 6 in flight, all approved). • Southern: Programme of 25 projects (20 delivered, 5 in flight, all approved).

Project Name: Newton Mearns and Waterfoot PRS
Licence Condition: Sc. 3.12 Capital Projects PCD
Description of anticipated Output: Decommission the existing Newton Mearns PRS and Waterfoot PRS. Construct a new PRS and new outlet pipework to connect the Newton Mearns Grid and Waterfoot Grid.
Delivery Date: 31 March 2026
Status: On track
Total Allowance: £8.34m
SGN Info: Alternative delivery plan progressing. Materials procured, Jan 25 for main laying

Project Name: Provan PRS
Licence Condition: Sc. 3.12 Capital Projects PCD
Description of anticipated Output: Full site rebuild of Provan PRS (Beardmores and City), replace above ground pipework (HP, MP, and Local MP) with buried pipelines, and install facilities to allow Inline Inspection of the new pipeline.
Delivery Date: 31 March 2026
Status: On track
Total Allowance: £13.63m
SGN Info: Significant cost pressures. Project on target

Project Name: Mappowder
Licence Condition: Sc. 3.12 Capital Projects PCD
Description of anticipated Output: Replace the pre-heating system and pressure control system at Mappowder NTS offtake.
Delivery Date: 31 March 2026
Status: On track
Total Allowance: £5.10m
SGN Info: Mechanical commissioning expected November 2024

Project Name: Winkfield Offtake - System 1 (South East)
Licence Condition: Sc. 3.12 Capital Projects PCD
Description of anticipated Output: Replace the PRS pre-heating system and pressure control systems including the two stream slam-shut valves on the Winkfield South East LDZ Offtake site.
Delivery Date: 31 March 2026
Status: On track
Total Allowance: £7.76m
SGN Info: Mechanical commissioning expected November 2024

Project Name: Winkfield Offtake - System 2 (South East)
Licence Condition: Sc. 3.12 Capital Projects PCD
Description of anticipated Output: Replace the PRS pre-heating system and pressure control systems including the two stream slam-shut valves on the Winkfield South LDZ Offtake site.
Delivery Date: 31 March 2026
Status: On track
Total Allowance: £7.32m

SGN Info: Mechanical commissioning expected November 2024

Project Name: REDACTED

Licence Condition: Sc. 3.12 Capital Projects PCD

Description of anticipated Output: Decommission a 434m section of 12” steel intermediate pressure main located within the bridge structure and service tunnel. The existing main will be replaced with a suitable and fit for purpose alternative.

Delivery Date: 31 March 2026

Status: On track

Total Allowance: £4.81m

SGN Info: Negotiations near completion

WWU

Project Name: HN039 LTS Pipeline Replacement

Licence Condition: Sc. 3.12 Capital Projects PCD

Description of anticipated Output: Replace 13km of the HN039 pipeline to meet the latest IGEM/TD/1 standards.

Delivery Date: 31 March 2026

Status: On track

Total Allowance: £13.02m

WWU Info: WWU is on track to complete the LTS pipeline replacement in Wales by the end of the price control period, although spending will be delayed compared to the initial plan. The Derwenlas to Aberdovey pipeline (HN039) project is also on schedule and is expected to stay within the £13.0m budget for RIIO-GD2

Section Five: Bespoke PCDs

In RIIO-2, Price Control Deliverables (PCDs) link funding to the delivery of clearly specified outputs. Bespoke PCDs are those PCDs that are company-specific, proposed by an individual Gas Distribution Network (GDN) in its Business Plan to reflect unique needs, projects, or local circumstances, rather than being common to all licensees. Like all PCDs, they make the funding contingent on delivering the stated output to the required specification and by the required date; if delivery falls short, allowances are adjusted to protect consumers.

Meeting the Needs of Consumers and Network Users

Collaborative Streetworks ODI-F

Applies to: Cadent EoE & London, and SGN Southern
Purpose: A financial ODI to incentivise collaboration between utilities for the delivery of streetworks in Greater London.
Benefits: To reduce the frequency, and duration of roadworks by aligning works for multiple parties within one project. We also expect it to promote knowledge sharing amongst GDNs and other utility sectors.
<p>Performance:</p> <p>Cadent: EoE has completed 2 collaborative projects to date, earning a total reward of £0.31m. Cadent London has performed well and delivered a total of 28 projects to date, with 7 delivered in the latest reporting year. Overall, Cadent London has received incentive reward of £3.9m.</p> <p>SGN Southern: In 2024/25, Southern completed 10 collaborative projects, taking its price control total to 34. As a result, SGN Southern has received a reward of £5.2m over the RIIO period to date.</p>

High Rise Building Plans ODI-R

Applies to: Cadent
Purpose: The initiative ensures Cadent has robust building management plans for all high-rise buildings across its network.
Benefits: These plans enable rapid and effective intervention during gas supply issues, safeguarding customers and maintaining safety standards.
<p>Performance: Cadent is delivering well against its High Rise Building Plan output, having exceeded the original target and nearly achieved the revised target. Their approach is robust, with ongoing improvements in data quality and asset categorisation. Overall, Cadent have demonstrated strong delivery performance against this ODI.</p>

Personalised Welfare Facilities PCD

Applies to: Cadent
Purpose: Offer additional personalised welfare provisions for consumers in vulnerable situations during supply interruptions, beyond what is provided as BAU.
Benefits: During a supply interruption, consumers in vulnerable situations will be provided with additional services, beyond the requirements of GSOP3, including food vouchers, rechargeable showers and electric kettles at no additional cost to the consumer.
Performance: Cadent has delivered strong performance against the Personalising Welfare Facilities PCD, substantially exceeding its original target by supporting many more vulnerable customers than planned and is on track to surpass 200,000 supported by the end of RIIO-2.

Maintaining a Safe and Resilient Network

London Medium Pressure PCD

Applies to: Cadent
Purpose: A PCD to hold Cadent to account for delivering specific sections of the London Medium Pressure (LMP) project during RIIO-GD2
Benefits: To protect customers if any discrete capital investment is not delivered.
Performance: Cadent has made strong progress on its London Medium Pressure PCD, having already replaced more medium pressure mains than originally required and completing nearly all planned governor replacements. The company has managed to deliver this work despite the operational complexities of central London and expects to fully meet or slightly exceed all regulatory commitments for this output by the end of the RIIO-2 period.

Job Completion Lead Time Including Reinstatement

Applies to: NGN
Purpose: A reputational ODI to reduce the time between customers paying for a standard connection service (or alteration) and NGN completing the work.
Benefits: Faster connections and alterations leading to increased customer satisfaction.
Performance: In 2024/25, Northern Gas Networks (NGN) completed 93.7% of jobs within the 20-day target for connections and service alterations, improving on the previous year's result of 91.1%. This steady, year-on-year progress reflects NGN's focus on effective workforce planning and resource management and consistently exceeds the regulatory target of 45%. The ongoing improvement highlights NGN's ability to deliver timely job completion and reinstatement, positioning the company as a strong performer in this area.

Delivering an Environmentally Sustainable Network

Gas Escape Reduction

Applies to: SGN
Purpose: To facilitate rollout of specified innovations SGN has developed to reduce the volume of gas lost during escapes.
Benefits: These innovations are expected to reduce leakage by 1.2ktCO ₂ e per year through RIIO-GD2 and beyond, with an NPV of £2.7m through to 2035 based on environmental and safety benefits.
Performance: Both SGN Scotland and Southern are progressing well against the Gas Escape Reduction PCD. The projects are on schedule for completion by March 2026, with a strong focus on staff training and equipment rollout. Financially, both networks are currently underspending against their allowances, and no external risks have been identified that could impact delivery.

Biomethane Improved Assess Rollout PCD

Applies to: SGN
Purpose: Hold SGN to account for the delivery of its biomethane rollout project.
Benefits: Support the rollout of biomethane technologies on the gas network, delivering benefits to consumers from past innovation activities in this area.
Performance: SGN is currently undertaking 10 PCD projects to implement propane management and smart network control outputs at three biomethane sites in Scotland and seven sites in the Southern network. During regulatory year 24/25 SGN completed preparatory works including conceptual design works and successfully implemented contractual arrangements for partner support for both of the outputs. These preparatory works in 24/25 have supported the successful completion in 25/26 of one propane management project in Scotland and ongoing construction works at six further sites to implement biomethane blending technologies. SGN is also working with a biomethane producer to implement propane management at SGN's second biomethane tanker hub connection in Banbury. Smart network control is also in progress to increase SGN network capacity at two sites on the Southern network.

Intermediate Pressure Reconfigurations PCD

Applies to: SGN
Purpose: To fund SGN to install 85 small PRIs and 355 service governors, to allow reconfiguration and replacement of 515 services and 9.32km of steel mains connected to intermediate pressure gas mains in its Scotland network.
Benefits: Protects customers from failure to deliver asset replacement works during RIIO-GD2. The project will reduce network risk by ensuring 515 properties have services configured to current safety standards.
Performance: Good progress has been made, and all reconfigurations will be completed by March 2026.

Remote Pressure Management PCD

Applies to: SGN
Purpose: To provide for installation of pressure management equipment at 702 district governors across the Southern network.
Benefits: This is expected to reduce leakage by 1.5ktCO ₂ e per year through RIIO-GD2 and beyond, delivering a Net Present Value (NPV) of £1.0m to 2030 in environmental benefits.
Performance: The Remote Pressure Management program is progressing well, with most installations completed and the remainder planned for delivery by the end of GD2 within allowances.

HyNet Front End Engineering Design (FEED) PCD

Applies to: Cadent
Purpose: To provide funding for a Front End Engineering Design (FEED) study for an 85km hydrogen pipeline which supports the development of GB's first Hydrogen Industrial Cluster.
Benefits: The facilitation of a first-of-a-kind hydrogen related FEED study that will generate useful knowledge around the use of hydrogen and the decarbonisation of industry. It will also provide detailed planning information that will inform any future decision on whether to go forward with the building of the HyNet project.
Performance: Cadent completed the HyNet FEED study on schedule, meeting all Ofgem requirements and providing essential groundwork for future hydrogen infrastructure. Their performance is assessed as fully meeting the FEED objectives.