



Making a positive difference
for energy consumers

Greg Dodd
Regulation and Strategic Planning Director
Northern Gas Networks

Email: gas.systems@ofgem.gov.uk

Date: 31 December 2025

Dear Greg,

Proposed Modifications to Northern Gas Networks ("NGN") Connection Charging Methodology

You submitted a revised copy of your Connection Charging Methodology ("the CCM") and a Modification Report ("the report") to us¹ on 04 December 2025. In your report, you propose the following modifications to the CCM:

- (a) the removal of the Domestic Load Connection Allowance (DLCA);
- (b) the removal of the Fuel Poor Network Extension Scheme (FPNES); and
- (c) several administrative and housekeeping changes.

Standard Condition ("SC") 4B of your Gas Transporter Licence states that we can give a direction in respect of any proposed connection charging methodology modification, that the modification shall not be made. Having regard to the modifications proposed, we have decided not to veto the modification. Our decision, including our reasons are detailed below.

Background

SC 4B of the Gas Transporter Licence sets out the obligations for you to put in place and maintain a connection charging methodology. In particular, condition 4B(4) states that you must review the connection charging methodology at least once in every year and make modifications for the purpose of better achieving the relevant objectives.²

¹Ofgem is the Office of the Gas and Electricity Markets Authority. The terms 'Ofgem', 'the Authority', 'we', 'our' and 'us' are used interchangeably in this document.

² SC 4B, paragraph 4 [Gas Transporter Standard Licence Conditions](#)

It also states that any modifications must be submitted to us alongside a report which sets them out, explains why they will better facilitate the relevant objectives³, and includes a timetable for implementing the changes. We have a 28-day period starting from the date this information is submitted to issue a direction to the licensee that the modifications shall not be made.⁴ The modifications you propose are described in more detail below.

Modifications to the CCM

Modification (a): Removal of the Domestic Load Connection Allowance (DLCA)

You propose to remove Section 2.7 ("*Domestic Load Connection Allowance*") from the CCM, as well as removing all other references to the DLCA throughout the CCM, including definitions, cross references, figures and examples, to ensure internal consistency across the document.

You suggest that this modification would better achieve relevant objective (a).

Modification (b): Removal of the Fuel Poor Network Extension Scheme (FPNES)

You propose to remove section 4 ("*Methodology to be applied where a connection requires extension of the network to facilitate the supply of gas to a non-gas fuel poor community*") in full, together with all references to FPNES in the CCM including, definitions and references to the Fuel Poor Voucher throughout the methodology.

You suggest that this modification would better achieve relevant objective (a).

Modification (c): Administrative and housekeeping changes.

You propose several minor administrative changes, including updates to section numbering, cross-references, definitions and annex references. These changes ensure the CCM remains accurate following the removal of DLCA and FPNES.

You have proposed that all changes take effect from 01 April 2026 to coincide with the commencement of the RIIO-3 GD Price Control from that same date.

Our comments

³ The relevant objectives are set out in SC 4B, paragraph 5.

⁴ SC 4B, paragraph 6 [Gas Transporter Standard Licence Conditions](#)

Modification (a): Removal of the Domestic Load Connection Allowance (DLCA)

We do not object to this modification. We agree that removing sections and references pertaining to the DLCA is appropriate and reflects the policy positions of Ofgem as set out in our Specific Methodology Decision⁵ (SSMD) and Final Determinations for RIIO-3⁶ to withdraw the allowances from the RIIO framework and remove any associated licence conditions from 1 April 2026.

You suggest that this modification would better achieve relevant objective (a). We agree. However, we consider the proposed modification to also better facilitate objectives (c) and (d). This modification will align your CCM with the RIIO-3 GD FD, as well as any resulting amendments to your Transporter Licence; it will therefore facilitate the discharge by you of the obligations imposed on you under the Act and by your Licence (objective (a)). This modification ensures connection charges levied on consumers by you, reflect the removal of the DLCA; it therefore results in charges which, as far as reasonably practicable, reflect the costs incurred by you in running your transportation business (objective (c)). This modification ensures that your CCM properly takes into account developments in your transportation business (objective (d)), principally the removal of DLCA funding.

Modification (b): Removal of the Fuel Poor Network Extension Scheme (FPNES)

We do not object to this modification. We agree that removing section 4, as well as references to the Fuel Poor Voucher is appropriate and reflects the policy positions of Ofgem on the FPNES, as set out in our Specific Methodology Decision⁷ (SSMD) and Final Determinations for RIIO-3⁸ to withdraw the allowances from the RIIO framework and remove any associated licence conditions from 1 April 2026.

Again, you have suggested that this modification would better achieve relevant objective (a). In addition to this, we also consider this modification to better achieve relevant objective (c) and (d). This modification will align your CCM with the RIIO-3 GD FD, as well as any resulting amendments to your Transporter Licence; it will therefore facilitate the discharge by you of the obligations imposed on you under the Act and by your Licence (objective (a)). This modification ensures connection charges levied on consumers by you, do not incorrectly include the FPNES. It therefore results in charges which, as far as reasonably practicable, reflect the costs incurred by you in running your transportation business (objective (c)). This modification ensures that your CCM properly takes into account developments in your transportation business (objective (d)), principally the removal of the FPNES.

⁵ [RIIO-3_SSMD_GD_Annex.pdf](#) [RIIO-3_SSMD_GD_Annex.pdf](#)

⁶ [RIIO-3-Final-Determinations-overview.pdf](#)

⁷ [RIIO-3_SSMD_GD_Annex.pdf](#) [RIIO-3_SSMD_GD_Annex.pdf](#)

⁸ [RIIO-3-Final-Determinations-overview.pdf](#)

Modification (c): Administrative and housekeeping changes

We do not object to this modification. Proposed changes to the removal of the DLCA, FPNES and subsequent section numbering improve clarity across the CCM.

Illustrative cost figures in the Annex have also been updated to reflect revised assumptions and costs at the time of publication. The illustrative figures are indicative only and do not alter the underlying charging methodology.

Ofgem's Principal Objective and Statutory Duties

Ofgem's principal objective is to protect the interests of existing and future consumers in relation to gas conveyed through pipes. We consider that the modifications proposed this year are consistent with this objective, by facilitating your compliance with the Act and terms of your Licence, ensuring cost-reflective charging, and aligning your CCM with business developments resulting from the RIIO-3 FD.

Decision Notice

In accordance with paragraph 6 of Standard Condition 4B of the Gas Transporter Licence, the Authority has decided not to issue a direction to prevent any of the proposed modifications set out in the NGN report and CCM. All proposed modifications may proceed as submitted.

Please note that this decision pertains only to those matters we are required to consider when deciding whether to approve proposed modifications to a connection charging methodology in accordance with SC 4B. For the avoidance of any doubt, nothing in this letter fetters our discretion to make any other decisions and take any other actions.

In the interests of transparency, we will publish this letter on our website.

Yours sincerely,

William Duff

Head of Gas & Hydrogen Systems Management and Operation

Signed on behalf of the Authority and authorised for that purpose