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Response to the Statutory Consultation on the RIIO-3 Licence Drafting modifications

BUUK Infrastructure (BUUK) welcomes the opportunity to respond to the recent statutory consultation on the RIIO-3 licence amendments.

As well as our response to the consultation we've provided a short overview of our business. Although not directly aimed at our licenced independent gas transportation (IGT) licences there are aspects of the proposals that we believe are important to us.

Overview of our business

BUUK is a leading British multi-utility infrastructure investor, working across Great Britain and competing against incumbent utility companies.

Our initial interest in utilities began with ownership of regulated gas networks and we have gradually expanded our portfolio into other utility sectors including electricity, fibre, water, wastewater, and heat. We have provided over three million utility connections and serve these customers across 48,000 discrete networks. We also provide smart low carbon technology (LCT) solutions to help decarbonise homes through our Passiv and Levelise businesses.

Summary

Over the past few years we have been approached by innovators who have asked us to participate in and sponsor Strategic Innovation Fund (SIF) trial bids. Some of these we would liked to have been involved with but we were unable to due to a lack of the regulatory permission in our network companies' licences.

In the past we were permitted to participate in the innovation trial funding arrangements. However during the current price control period the facilitating

regulation was not included in any of our licences and therefore we have been unable to help support the development of innovation in the energy sector.

We would like to ensure this situation is changed in the RIIO 3 period and therefore request that we are permitted to be involved with the SIF trials.

We envisage that this would require the addition of a special licence condition to one of our gas transportation licences (our suggestion would be our GTC Pipelines Limited licence). This could be similar to the proposed Special Licence Condition 9.11 for the Gas Distribution Networks (GDN) for the RIIO GD3 period, although we would appreciate Ofgem's legal view as to what would be the most appropriate for our specific circumstance.

Our suggestion for the special licence condition would be:

Special Condition 2 The strategic innovation fund (SIFt)

Introduction

2.1 The purpose of this condition is to establish arrangements for the SIF and to provide for the calculation of the term SIFt.

2.2 The effect of this condition is to provide funding for Eligible SIF Projects by means of payments received from the NTS Operator (as adjusted, where appropriate, by the SIF Funding Return Mechanism) in accordance with the determination process in Part A.

2.3 This condition also makes provision for arrangements relating to the regulation, administration, and governance of the SIF.

Part A: Determination of the value of the SIFt term

2.4 The SIFt term is the net amount of SIF Funding less any SIF Funding Return for the Regulatory Year that is to be paid to the licensee by the NTS Operator, or vice versa, in accordance with the direction issued for that purpose by the Authority under Part A of Special Condition 5.7 (The strategic innovation fund) in the licence held by the NTS Operator.

2.5 In each Regulatory Year, in accordance with the SIF Governance Document and appropriate provisions of the NTS Operator's licence, the Authority will calculate and then, by direction given to the licensee, specify:

(a) the value of the SIFt term;

(b) how the amount of that term has been calculated, taking account of any SIF Funding Return; and

(c) the manner in which and the timescale over which the NTS Operator is required to transfer that amount to the licensee or vice versa.

Part B: The SIF Funding Return Mechanism

2.6 The Authority may direct how SIF Returned Project Revenues should be paid to customers through the SIF Funding Return Mechanism, or where the Authority considers it to be appropriate, how they should be retained by the licensee.

2.7 In each Regulatory Year, in accordance with the appropriate provisions of the SIF Governance Document, the Authority will calculate and then, by direction given to the licensee specify:

(a) the amount of any SIF Funding Return that the licensee must pay to the NTS Operator; and

(b) the manner in which and the timescale over which that amount is to be paid.

2.8 The licensee must comply with any direction that is issued by the Authority under paragraph 2.7.

Part C: The SIF Governance Document

2.9 The licensee must comply with the SIF Governance Document.

2.10 The Authority will issue and amend the SIF Governance Document by direction.

2.11 The Authority will publish the SIF Governance Document on the Authority's Website.

2.12 The SIF Governance Document will make provision about the regulation, governance and administration of the SIF, including but not limited to:

(a) the eligibility criteria to be applied by, and information to be provided to, the Authority in relation to the assessment and approval of proposed SIF projects;

(b) the evaluation criteria against which the funding of such proposed SIF projects will be assessed and approved;

(c) the process and procedures that will be in place for the assessment, approval, and financing of Eligible SIF Projects, including the SIF Funding Mechanism and SIF Funding Return Mechanism;

(d) arrangements to ensure that relevant matters the licensee learned from the implementation of Eligible SIF Projects can be captured and disseminated by the licensee to other Gas Transporter Licensees and the ISOP;

(e) the nature of the reporting obligations in respect of such Eligible SIF Projects, which may include reporting in respect of the funding and the completion of such projects, as well as reporting on compliance with this condition and the provisions of the SIF Governance Document; and

(f) arrangements relating to the treatment of intellectual property rights including SIF Returned Royalty Income in respect of Eligible SIF Projects.

Part D: Procedure for issuing and revising the SIF Governance Document

2.13 Before directing that the SIF Governance Document comes into effect the Authority will publish on the Authority's Website:

- (a) the text of the proposed SIF Governance Document;*
- (b) the date that the Authority intends the SIF Governance Document to come into effect; and*
- (c) the time within which representations may be made on the content of the SIF Governance Document, which will be up to 28 days.*

2.14 Before directing an amendment to the SIF Governance Document, the Authority will publish on the Authority's Website:

- (a) the text of the amended SIF Governance Document;*
- (b) the date on which the Authority intends the amended SIF Governance Document to come into effect;*
- (c) the reasons for the amendment to the SIF Governance Document; and*
- (d) a period during which representations may be made on the amendment to the SIF Governance Document, which will be up to 28 days.*

2.15 Where this special condition provides for the Authority to issue or amend a document by direction, the steps required to achieve this may be satisfied by action taken before or after this licence condition comes into effect.

Responses to consultation questions:

As requested we have included our responses on the individual licence conditions in the attached spreadsheet.

Yours faithfully,

Alex Travell

Head of Regulation