Consultation

Independent Gas Transporters Relative Price Control review consultation

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We are consulting on proposed changes to the Independent Gas Transporters Relative Price Control. These changes would address the way the floor and ceiling are now constraining charges for the sector, by introducing a phased approach that delivers an initial uplift to realign IGT charges with equivalent GDN charges and then allows further realignment at each subsequent price control where needed. It would then retain the floor and ceiling as protections against sharp year-to-year movements. Alongside this, we're proposing enhanced reporting requirements to improve our oversight of the sector, alongside consulting on a small number of other updates to the framework.

We would welcome views from all stakeholders with an interest in regulation of the energy networks. We would also welcome responses from other stakeholders. Once the consultation is closed, we will consider all responses. We will be transparent in our consultations. We will publish the non-confidential responses we receive alongside a decision on next steps on our website at ofgem.gov.uk/consultations. If you want your response, in whole or in part, to be considered confidential, please tell us in your response and explain why. Please clearly mark the parts of your response that you consider to be confidential, and if possible, put the confidential material in separate appendices to your response

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Executive summary

Independent Gas Transporters (IGTs) have played an important role in new gas distribution connections over the last two decades. There are now over 3 million customers connected through IGTs. The energy landscape has changed significantly since the regulatory arrangements for IGTs came into being, and as a result we have been reviewing whether IGT regulation needs to change to reflect how we expect the energy system to evolve in the future.

New drivers will add new and unforeseen risk to IGTs within the current arrangements. A likely increase in disconnections from the gas network will reduce the customer base over which IGTs can recover their charges. Unlike traditional Gas Distribution Networks (GDNs), IGTs can't recover this lost revenue under current arrangements. In addition, IGT revenues are initially set to the GDN equivalent downstream charge, and IGTs face a ceiling on how much that can change year-on-year, even if GDN charges increase beyond that ceiling. As GDN charges have risen faster than the ceiling permits, IGTs' charges have fallen significantly behind the equivalent level that traditional GDNs charge.

This consultation sets out our findings of our review of IGT arrangements against this background. Our review has examined whether the current Relative Price Control (RPC) floor and ceiling arrangements continues to operate as originally intended and whether it remains fit for purpose in the context of the energy transition. It has assessed the RPC's performance since its introduction, IGTs' ability to recover efficient costs, and the future resilience of the framework as gas demand declines and disconnection volumes rise. We are now inviting views from stakeholders on proposed changes and next steps.

While IGTs remain financeable today, the combination of rising disconnections and the RPC ceiling represents a future risk to the IGTs' financial resilience. We are therefore inviting views on a change to the RPC floor and ceiling to ensure IGTs can continue to finance their activities, maintain safe and reliable networks, and support consumers. We are also proposing proportionate, standardised reporting requirements across market data, vulnerability, interruptions, complaints, shrinkage and licence obligations. These changes will strengthen transparency, improve comparability with GDNs, and ensure Ofgem has the data needed to monitor outcomes for consumers effectively as the sector evolves.

Following the close of this consultation on 22 May 2026, we will consider stakeholder feedback and plan to publish our policy decision in Summer 2026, along with a statutory consultation on any licence modifications needed for implementation later in 2026.

1. Introduction

Purpose of this consultation

1.1 We published our next steps in our Independent Gas Transporter Review on 3 July 2025.[1] We signalled our decision to conduct a review of the RPC framework with the following scope:

- **A review of RPC to date:** with the aim to assess the performance and implementation of the RPC framework since its introduction. This includes evaluating whether it has delivered its intended outcomes and ensure it has provided value for money to IGT consumers.
- **Depreciation:** to examine the future efficacy of the floor and ceiling, including how it might be impacted by changes in RIIO-3 such as accelerated depreciation, and if any changes are required.
- **Disconnections:** to assess the impact that any difficulty in recovering the lost revenues and cost of disconnection charges could have on IGTs.
- **Enhanced reporting and transparency:** working with the IGTs to develop effective enduring reporting mechanisms that provide the necessary cost and Quality of Service (QOS) data, with the aim of ensuring that our regulatory oversight has developed to the extent to which the IGT sector has expanded.

1.2 We are presenting our findings from this work. Our minded-to view is that there is a case for change to the current RPC. We are also consulting on our preferred option for change: a phased approach that delivers an initial uplift to realign IGT charges with equivalent GDN charges and then allows further realignment at each subsequent price control where needed, retaining the floor and ceiling as protections against sharp year-to-year movements. Alongside this, we're proposing enhanced reporting requirements to improve our oversight of the sector, alongside consulting on a small number of other updates to the framework. Our views reflect the evidence we have seen to date, and our final decisions will be shaped by the feedback we receive through this consultation.

Background

1.3 IGTs are licensed gas transporters that operate independently from GDNs. While GDNs operate as regional monopolies, IGTs compete to design, build and operate new local gas networks, primarily for new housing and commercial developments. They provide competition to the GDNs, helping to drive down connection costs and improve customer service.

[1] Independent Gas Transporters' Relative Price Control: call for input conclusion | Ofgem

1.4 IGT charges and revenues are not subject to the full RIIO price control by which GDNs are regulated.[2] Instead, IGT transportation charges are regulated by the RPC framework.[3] The RPC was introduced in 2004 after earlier charging arrangements resulted in large and inconsistent differences between the IGTs' and the charges of what was then Transco. The purpose of RPC was to place clear limits on IGT charges so that they were broadly consistent with the equivalent charges of GDNs.

1.5 Special Condition 1 (Charging of Gas Shippers – Relative Price Control)[4] of the IGTs' licences establishes the RPC framework and sets out the arrangements for determining the gas transportation charges that can be levied on relevant premises. The methodology consists of an Entry Charge and an Annual Adjustment.

1.6 **Entry charge:** A property's RPC entry charge equals the GDN's Single Supply Point (SSP) charge minus the Connected System Exit Point (CSEP) charge. The SSP charge is the GDN's 'all the way charge' which reflects the cost of transporting gas to an individual property. The CSEP charge is the GDN's charge to transport gas to the CSEP (where the IGT network is connected to the GDN) which reflects the cost of transporting gas to the IGT site boundary. The difference between the SSP and CSEP is the IGT charge meaning that the total charge a customer faces should be the same whether on a GDN or IGT network. This is shown in figure 1 below.

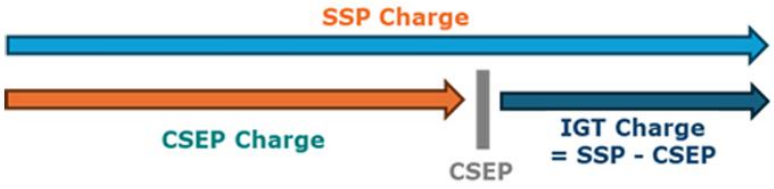

Figure 1: Calculation of IGT Entry Charge

1.7 **Annual adjustment**: Under the RPC, the IGT charge is then adjusted annually in line with the average change in the relevant GDN's SSP charges, published by Ofgem. The annual adjustment is capped by the floor and ceiling. This was initially set at ±5% of the entry charge and adjusted annually in line with the change in Retail Price Index (RPI) and an annual efficiency factor set out in Special Condition 1 of the IGT licences.

1.8 If the annual adjustment carried out on 1 January causes the IGT's RPC prospective charge to fall outside of the envelope described by the floor and ceiling prices, the IGT's charge for that year is capped at the floor or ceiling price. The expectation at the time the RPC was put in place was that Transco charges would fall over time. The RPC floor gave

[2] RIIO (Revenues = Incentives + Innovation + Outputs) is our approach to ensuring that the monopoly companies that run our gas and electricity networks have enough revenue to run and invest in a network that delivers efficiently what customers value. For details of the current RIIO framework, please refer to https://www.ofgem.gov.uk/energy-policyand-regulation/policy-and-regulatory-programmes/network-price-controls-2021-2028riio-2

[3] RPC framework decision 2003 3946-decisiondoc_igt_final_proposals_0.pdf

[4] Modification to Special Condition 1 of the Independent Gas Transporters' Licence | Ofgem

investors' confidence that their investment in new infrastructure could be recovered if gas charges declined more rapidly than expected with the symmetrical ceiling added to protect consumers if gas charges increased.

1.9 When the RPC was introduced, our intention at the time was for the RPC floor and ceiling to apply for 20 years and, after that period, for IGT charges to track Transco equivalent charges on a continuous basis, based on Transco's equivalent incremental charges from CSEP to SSP.[5]

1.10 Independent Distribution Network Operators (IDNOs) in the electricity sector are also subject to their own RPC framework which is beyond the scope of this review

Recent developments relevant to the IGT RPC

1.11 We last reviewed the RPC and relevant licence conditions in 2014. Following this review, we made some minor amendments to the IGT's licence, but the fundamentals of the RPC were maintained.

1.12 Since the last review of the IGT RPC, we have received feedback from various stakeholders, including the IGTs, on the following areas of concern:

- Stakeholders highlighted that annual changes in GDN SSP charges have been increasingly outpacing the *RPI + annual percentage change* floor and ceiling adjustment, meaning a growing share of IGT charges were constrained at the ceiling and unable to track equivalent GDN charges.
- IGTs raised concerns that the ceiling restricts their ability to recover historical investment, particularly in the context of potential RIIO-3 changes (such as accelerated depreciation for GDNs), which could further widen the gap in cost recovery and affect IGT financeability.
- IGTs noted that the current framework provides no mechanism for IGTs to recover certain disconnection related costs when consumers request a disconnection through their gas supplier, leaving IGTs exposed to unrecoverable costs under the capped RPC ceiling.

1.13 It is within this context that we launched a Call for Input on 29 January 2025. Following the Call for Input, we published our conclusions and set out the scope of our review on 3 July 2025.[6] Since then, we have worked closely with IGTs and gathered additional information under Condition 24 of the Gas Transporter Standard Licence, which provides Ofgem with powers to request information from licensees. This evidence has informed both our minded to view that changes to the RPC are justified and the options we are now consulting on.

The Request for Information

1.14 Companies were asked to submit information covering customer numbers (including those vulnerable customers on the Priority Service Register), new connections, complaints, planned and unplanned supply interruptions (including average duration),

[5] RPC framework decision 2003 3946-decisiondoc_igt_final_proposals_0.pdf
[6] For details see 1.1 of this document

and performance against Guaranteed Standards of Performance (GSOPs), covering a 10-year period from 2015 to 2025, along with any forward projections if available.

1.15 We also received information on IGT disconnection numbers and costs separately as part of our wider review of gas disconnections. This is discussed in later sections of this document and has been used to inform our policy position.

1.16 Given differences in scale, maturity, and reporting capacity across IGTs, the completeness and precision of submissions varied. Some IGTs reported that certain metrics were not systematically collected in earlier years, leading to data gaps or reliance on corporate memory. Other submissions contained caveats relating to definition changes, rounding, or thresholds for collection. There was also some inconsistency in reporting periods between IGTs, with a mix of regulatory year and calendar year data.

1.17 These factors mean that we have needed to interpret the dataset with caution as it is not sufficiently consistent to support robust comparative analysis across companies or against GDNs. Nevertheless, the information gathered provides useful contextual evidence on the nature and scale of services provided by IGTs and highlights areas where data quality and consistency could be improved in future reporting.

1.18 There are currently 13 IGT licensees. We received RFI submissions from 10 licensees with the remainder confirming nil responses. These licensees providing nil responses operate at a very small scale, in some cases servicing only their own business operations, and we therefore considered a nil response to be proportionate.

1.19 There are approximately 25 million total customers in the gas distribution market, of which IGTs collectively serve 12%, with GDNs serving the remaining 88%. The IGT customer base has grown steadily since the introduction of IGTs. The sector has seen an increase of around 100,000 new customers each year for the past four years, while the GDN customer base has remained relatively stable. This is supported by findings that IGTs have been responsible for 79% of new gas connections since 2021. As a result, IGTs with strong footholds in regions experiencing sustained residential expansion naturally accumulate larger domestic portfolios.

1.20 These customers are not evenly distributed between the individual IGTs; some have over one million customers, and some only a few hundred. This variation reflects not only the differences in market penetration, but also the distinct business models and customer focus across the sector. For instance, we have observed that smaller IGTs appear to have a higher proportion of industrial and commercial connections, indicating a more specialised or bespoke service rather than volume driven domestic expansion observed in larger IGTs.

1.21 Regarding the quality of service (QoS) customers receive from an IGT, the available evidence initially suggests that customers experience a good level of service. This is reflected in both the frequency and duration of unplanned interruptions experienced by IGT customers and in the low volume of complaints reported by IGTs.

1.22 In relation to reliability, IGT customers experience fewer unplanned interruptions than GDN customers and, where interruptions do occur, they are, on average, resolved more quickly. Whilst this outcome is expected given that IGTs operate a smaller and generally newer asset base than the GDNs and that most interruptions experienced by IGT

customers originate from the upstream GDN network rather than on IGT assets, it does still point to positive service for IGT customers. A similarly positive picture is observed in reported complaints data, with IGTs receiving very low complaint volumes when normalised by customer numbers. Where complaints are recorded, they predominantly relate to connections activity, indicating that instances of dissatisfaction are more commonly associated with the initial establishment of supply rather than the ongoing operation of IGT networks.

1.23 However, these findings should be interpreted with important caveats. The QoS data gathered from IGTs is subject to significant limitations when making comparisons both between IGTs and with GDNs. These include limited regular reporting against which to benchmark the RFI data, and material differences in the definitions and methodologies applied across IGTs when compared with GDN reporting. For example, there is no single, consistent definition of a "complaint" applied across the IGT sector, and reporting practices have changed over time, which constrains comparability both between IGTs and relative to GDNs. As a result, while the data is indicative of good service outcomes, it does not on its own provide a fully robust or directly comparable assessment of IGT QoS performance. Aligning key metrics and definitions would also help ensure that Ofgem's regulatory oversight continues to evolve in line with the size and significance of the IGT sector within the wider gas distribution landscape.

Consultation stages

Stage 1 Consultation open: 27 March 2026

Stage 2 Consultation closes. Deadline for responses: 22 May 2026

How to respond

1.24 We want to hear from anyone interested in this consultation. Please send your response to matthew.chambers@ofgem.gov.uk

1.25 We have asked for your feedback in each of the questions throughout. Please respond to each one as fully as you can.

1.26 We will publish non-confidential responses on our website.

Your response, data, and confidentiality

1.27 You can ask us to keep your response, or parts of your response, confidential. We will respect this, subject to obligations to disclose information. For example, under the Freedom of Information Act 2000, the Environmental Information Regulations 2004, statutory directions, court orders, government regulations, or where you give us explicit permission to disclose. If you do want us to keep your response confidential, please clearly mark this on your response and explain why.

1.28 If you wish us to keep part of your response confidential, please clearly mark those parts of your response that you do wish to be kept confidential and those that you do not wish to be kept confidential. Please put the confidential material in a separate appendix to your response. If necessary, we will contact you to discuss which parts of the information in your response should be kept confidential and which can be published. We might ask for reasons why.

1.29 If the information you give in your response contains personal data under the General Data Protection Regulation (Regulation (EU) 2016/679) as retained in domestic law following the United Kingdom's withdrawal from the European Union ("UK GDPR"), the Gas and Electricity Markets Authority will be the data controller for the purposes of GDPR. Ofgem uses the information in responses in performing its statutory functions and in accordance with section 105 of the Utilities Act 2000. Please refer to our Privacy Notice on consultations, see Appendix 4.

1.30 If you wish to respond confidentially, we will keep your response confidential, but we will publish the number, but not the names, of confidential responses we receive. We will not link responses to respondents if we publish a summary of responses, and we will evaluate each response on its own merits without undermining your right to confidentiality.

How to track the progress of a consultation

1. Find the web page for the call for input you would like to receive updates on.
2. Click ‘Get emails about this page’, enter your email address and click ‘Submit’.
3. You will receive an email to notify you when it has changed status.

A consultation has three stages: ‘Open’, ‘Closed (awaiting decision)’, and ‘Closed (with decision)’.

2. Case for change: the RPC floor and ceiling in the context of the energy transition

2.1 Based on the evidence submitted to us so far, we consider there is a case for change to the current RPC floor and ceiling, driven by emerging risks to IGT financeability as energy system transitions away from natural gas. Rising disconnections and the structural decline in new gas connections are expected to reduce IGT revenues over time, while the RPC ceiling is expected to increasingly constrain IGT charges from tracking equivalent GDN charges.

2.2 IGT modelling submitted to Ofgem indicates that, under plausible disconnection trajectories, these effects could leave a significant proportion of the sector unable to recover its efficient costs and at risk of becoming loss-making in the medium term. Left unaddressed, this would create risks for consumers, network resilience and the ability of IGTs to continue financing their licensed activities, leading us to conclude that changes to the floor and ceiling are likely to be necessary.

The floor and ceiling actual path to present day

2.3 Since RPC was implemented in 2004, GDN SSP charges have risen steadily, contrary to the original expectation that they would fall over time. As a result, IGT charges have become increasingly constrained by the ceiling and are no longer able to track the downstream GDN charge, with this gap between the two increasing over time.

2.4 Figure 2[7] illustrates this pattern as the notional downstream GDN charge has risen significantly beyond the level of the ceiling. As a result, the IGT charges have been constrained to the level of the ceiling since 2009, with the gap between the capped IGT charge and the equivalent downstream GDN charge widening each year, demonstrating how the ceiling has become a constraint to IGT charges.

[7] This graph uses a nominal entry charge of £100 for a 2004 RPC entrant and using GDN SSP charge movements and historic RPI data to calculate the annual RPC adjustment and then using GDN SSP charge movements and historic RPI data to calculate the annual RPC adjustment by applying these published inputs to the licence formula

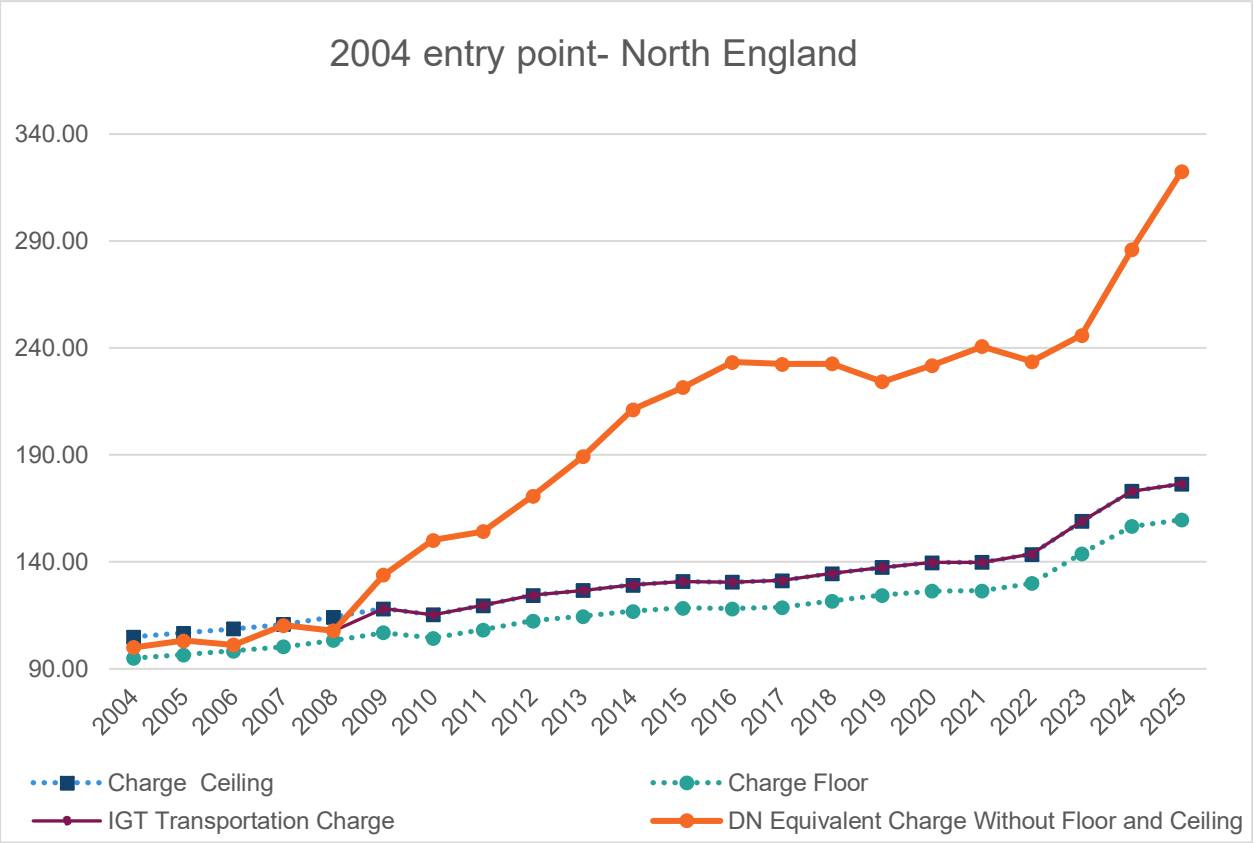

Figure 2: Actual path of IGT charges showing a 2004 entrant to RPC constrained within the floor and ceiling

2.5 While the example above uses a 2004 entry point, the same pattern appears for all later entrants.

2.6 The longer a site has been connected and subject to the RPC, the tighter this constraint becomes and the smaller the share of the downstream GDN-equivalent charge it can recover. The heat-map in Figure 3 provided by Last Mile Infrastructure (LMI) provides an aggregated view of how the ceiling has constrained charges of the large majority of IGTs across different entry years.[8] A value of 1.00 represents full alignment with the equivalent downstream GDN charge, while values below 1.00 indicate increasing levels of constraint.

2.7 The earliest RPC entrants from 2004–2009 show the deepest and most prolonged periods of constraint, with values typically falling to around 53–63% of the GDN equivalent downstream charge. This reflects their long exposure to GDN charges rising faster than the annual adjustment allowed under the RPC, leaving them able to recover only a small and declining share of the downstream benchmark. Entrants from 2010–2019 show the same underlying trend, though to a lesser degree, with values generally declining to 71–88% of the GDN downstream charge. More recent entrants from 2020–2025 remain close to the GDN downstream charge because they have spent fewer years under the

[8] Data is based on IGTs that are Independent Networks Association (INA) members, representing 98% of current IGT connections.

framework, but the same trajectory is already visible, with values beginning to dip below parity as the downstream benchmark continues to rise.

RCt / TCt

RPC entry year ↓ \ Year →	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
2004	1.00	1.00	1.00	1.00	1.00	0.88	0.79	0.80	0.75	0.69	0.63	0.61	0.57	0.58	0.59	0.63	0.62	0.60	0.60	0.63	0.59	0.53
2005		1.00	1.00	1.00	1.00	0.90	0.80	0.81	0.76	0.70	0.64	0.62	0.58	0.59	0.60	0.64	0.63	0.60	0.60	0.63	0.59	0.54
2006			1.00	0.98	1.00	0.86	0.77	0.78	0.73	0.67	0.61	0.59	0.56	0.57	0.58	0.62	0.61	0.58	0.58	0.61	0.57	0.52
2007				1.00	1.00	0.92	0.82	0.83	0.78	0.72	0.66	0.63	0.60	0.61	0.62	0.66	0.65	0.62	0.62	0.65	0.61	0.55
2008					1.00	0.88	0.78	0.79	0.74	0.68	0.62	0.60	0.57	0.58	0.59	0.62	0.61	0.59	0.59	0.62	0.58	0.53
2009						1.00	0.94	0.95	0.89	0.82	0.75	0.72	0.68	0.69	0.71	0.75	0.74	0.71	0.71	0.74	0.70	0.63
2010							1.00	1.00	1.00	0.92	0.84	0.81	0.77	0.77	0.79	0.84	0.82	0.79	0.79	0.83	0.78	0.71
2011								1.00	0.99	0.91	0.83	0.80	0.76	0.76	0.78	0.83	0.82	0.79	0.78	0.83	0.77	0.70
2012									1.00	0.97	0.88	0.85	0.81	0.81	0.83	0.88	0.87	0.84	0.84	0.88	0.82	0.74
2013										1.00	0.96	0.93	0.88	0.89	0.91	0.96	0.95	0.91	0.91	0.96	0.90	0.81
2014											1.00	1.00	0.96	0.97	0.99	1.00	1.00	1.00	1.00	1.00	0.98	0.89
2015												1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	0.92
2016													1.00	1.00	1.00	1.04	1.02	1.00	1.00	1.03	1.00	0.97
2017														1.00	1.00	1.03	1.01	1.00	1.00	1.03	1.00	0.96
2018															1.00	1.01	1.00	1.00	1.00	1.00	1.00	0.94
2019																1.00	1.00	0.99	0.99	1.00	0.98	0.88
2020																	1.00	1.00	1.00	1.00	0.99	0.90
2021																		1.00	1.00	1.00	1.00	0.93
2022																			1.00	1.00	1.00	0.93
2023																				1.00	0.98	0.89
2024																					1.00	0.95
2025																						1.00

Figure 2: RPC Ceiling historic constraint of IGT charges in the North of England

2.8 We have also observed that this has not resulted in lower bills for IGT consumers. For customers on standard variable tariffs (SVTs), the retail price cap uses regional GDN charging information and does not differentiate between GDN and IGT connected customers. As a result, the difference between the IGT charge and the downstream GDN charge is not being reflected in a lower consumer price for these IGT consumers. Customers on fixed tariffs are not subject to the price cap but we have not seen any evidence that IGT customers on these tariffs are benefitting from lower charges compared to those on GDN tariffs.

2.9 We have not seen evidence to confirm where this saving is being absorbed. However, we can observe that IGT charges are materially constrained by the ceiling when compared to the downstream GDN-equivalent charge, and that this difference is not reflected in lower tariffs for consumers on IGT networks. On this basis, we consider it reasonable to deduce that the unrecovered value is being absorbed within the wider gas charging system rather than being passed on to consumers.

The impact of the floor and ceiling on IGT Financeability to date and in future

2.10 We view it is as important that IGTs remain financially resilient because they operate and maintain essential gas distribution assets into the future as long as they may be required. The failure of their businesses could pose risks to consumer protection, network stability,

and continuity of supply. Ofgem has a statutory duty[9] to ensure that regulated network companies are able to finance the activities required by their licences, and this is fundamental to safeguarding consumers. A financially distressed or insolvent IGT could jeopardise safe pipeline operation, disrupt charging and settlement arrangements, create risks of supply interruption or impose unfair costs on consumers. While Ofgem's regulatory toolkit includes step-in, or special administration-type arrangements to prevent consumer detriment, these arrangements are designed as safeguards of last resort, and it would not be desirable to test them in the context of widespread or structural financial pressure within the IGT sector.

2.11 As part of the RFI process, we collected financial information from IGTs, as well as publicly available accounts, to better understand whether the RPC posed a significant risk to the financeability of IGTs now and in the future.

2.12 Based on information provided to Ofgem through the RFI process and other data sources,[10] we have observed that IGTs have remained broadly financeable under the current RPC arrangements and there has been no clear indication of sector-wide financial distress to date. Although there was a knock-on effect on profits during the COVID-19 crisis, IGTs have since been recovering and showing signs of improvement. Taken in isolation, this would not suggest an urgent case for change. Publicly available accounts, such as those obtained from Companies House, do not distinguish between the IGTs' transportation business (which is regulated under RPC) and other parts of the business (which are not). It is therefore possible that public accounts may give a false impression of the profitability of the transportation business.

2.13 While a significant GDN cost driver relates to the repex programme of iron mains replacement, we understand that this is recovered within the GDN's CSEP charge and not included in the portion used to calculate the IGT RPC. The activities undertaken by IGTs are therefore broadly comparable to those carried out by GDNs at the network level at which IGTs operate. In this context, the constraint imposed by the RPC ceiling raises questions about the long-term financeability of IGTs.

2.14 This is exacerbated by the fact that costs may increase over time. Two significant pressures highlighted by the sector and included within the scope of our review are the potential of accelerated depreciation of GDNs asset bases within RIIO-3, and rising disconnections resulting in lost revenue and disconnection related costs. Stakeholders have indicated that these pressures could place IGTs in a position where despite remaining financeable to date, the ceiling could prevent them from recovering these costs, making their businesses at risk of becoming unsustainable.

[9] Under the Gas Act 1986 Section 4AA(2)

[10] Our other data source refers to Companies House financial records. When comparing the RFI data with the Companies House data, we do not observe any significant divergence between the two. This provides additional confidence that the financial information submitted through the RFI aligns with independently reported figures from Companies House.

Disconnections

Background

2.15 A gas disconnection is the physical isolation of the service pipe from the gas main, usually achieved by excavation and cutting off the service pipe as close to the main as reasonably practicable. Disconnections can have a negative impact on IGT finances in two ways.

2.16 The first and most impactful of these is the lost revenue an early disconnection represents for the IGT. This is due to the way IGT revenues are structured and how their charges are currently constrained by the ceiling. Unlike GDNs, IGTs gain new connections through adoption payments that are calculated based on forecast revenues over several years. Because IGT charges operate on a connection-by-connection basis, they cannot spread or socialise these stranded costs across a wider customer base.

2.17 The second impact of a disconnection for the IGTs is the direct cost of the disconnection. When a household wishes to disconnect from the gas network, the process they follow is broken down into two subcategories and will influence when and how they engage with their supplier and/or transporter. A voluntary disconnection is where a customer requests through their gas transporter directly to disconnect their supply. These disconnections are undertaken through the Gas Act 1986 and gas transporters recover their costs by charging households directly for them.

2.18 Health and Safety (H&S) disconnections are those regulated by the Gas Safety Installation and Use Regulations 1998 and the Pipeline Safety Regulations 1996 under the Health and Safety at Work Act 1974. These occur where a gas meter has been removed by a supplier and not replaced within 12 months. In this circumstance the network operator has an obligation to ensure the service is left in a safe condition by disconnecting as close to the gas main as is reasonably practicable. This work is fully funded by the gas network operator.

2.19 As part of RIIO-GD3, we have introduced a Safety Disconnections Volume Driver to ensure that GDNs receive funding that accurately reflects the number of H&S driven disconnections they undertake. Given the inherent uncertainty around the volume of these disconnections, this mechanism allows Ofgem to adjust allowances up or down in line with the volumes delivered by GDNs. By setting network-specific unit costs for both simple and complex disconnections[11], we aim to ensure that GDNs are properly funded to meet statutory safety obligations while protecting consumers from paying for work that is not carried out.

2.20 IGTs, however, do not fall under the RIIO price control, and Ofgem does not determine an allowed revenue for them in the same way as for GDNs. Unlike GDNs, IGTs do not have the statutory reporting requirements, regulatory cost-assessment processes, or baseline revenue allowances needed to easily support a volume-driver mechanism.

[11] A simple disconnection is defined as a disconnection that only involves isolating the gas service at the ECV or at the higher external termination point which is typically at the street or external service pipes, without excavation. Complex disconnections are those that are fully disconnected at the main which includes excavation in the public highway.

2.21 In principle, the RPC should allow IGT charges to broadly track movements in the GDNs' equivalent downstream charges. On that basis, any increase in GDN revenue driven by higher volumes of H&S-related disconnections would, in theory, be reflected in IGT charges. However, based on the evidence we have received to date, the RPC's existing floor and ceiling already constrain IGT charges to levels well below the downstream GDN benchmark. This means that, under the current framework, IGTs would be unable to recover the adoption payment or the efficient costs of undertaking H&S driven disconnections, as the ceiling prevents their charges from reflecting the higher GDN allowances.

Establishing the disconnection problem so far and into the future

2.22 Government policy signals a clear direction of travel toward the decarbonisation of residential heat. The Secretary of State has confirmed the intention to bring forward the Future Homes Standard,[12] and more broadly to ensure that new homes are compatible with a net-zero energy system. While detailed implementation timelines remain subject to final decisions, this policy intent provides a strong signal that fossil-fuel heating in new homes will be progressively constrained.

2.23 Consistent with this direction, both government policy and regulatory frameworks anticipate an increasing shift away from gas as a residential heating source, as households adopt low-carbon alternatives, particularly electric heating technologies. RIIO-3 explicitly recognises the uncertainty facing gas networks and the prospect of a declining customer base as the energy transition accelerates.[13] Government policy direction reinforces this expectation, with the most recent Future Homes and Buildings Standards consultation (updated December 2025) confirming present government intention to introduce efficiency-based requirements for new build dwellings that would effectively end the installation of fossil-fuel heating systems, such as natural gas boilers.[14] The Warm Homes Plan[15] further reinforces this trajectory by setting out a long term strategy to upgrade homes into low-carbon, energy efficient buildings, with a strong emphasis on electrification of heat and reduced reliance on fossil fuels.

2.24 While the pace of change remains uncertain, the overall policy and regulatory context creates a reasonable expectation that residential gas connections will play a diminishing role over time. In this context, it is appropriate for IGTs to reflect a declining contribution from new residential connections in their forward-looking growth assumptions.

2.25 The scale of disconnections currently performed is still small for the IGT sector. Information submitted by the IGTs (figure 4) shows that the IGT sector is still expected to grow through to 2029. However, we then observe a 17% decline in the total connection numbers in the sector from that year to 2034/35.

[12] Rooftop solar for new builds to save people money - GOV.UK
[13] RIIO-3-Final-Determinations-overview.pdf
[14] The Future Homes and Buildings Standards: 2023 consultation - GOV.UK section 4
[15] warm-homes-plan-standard-print.pdf

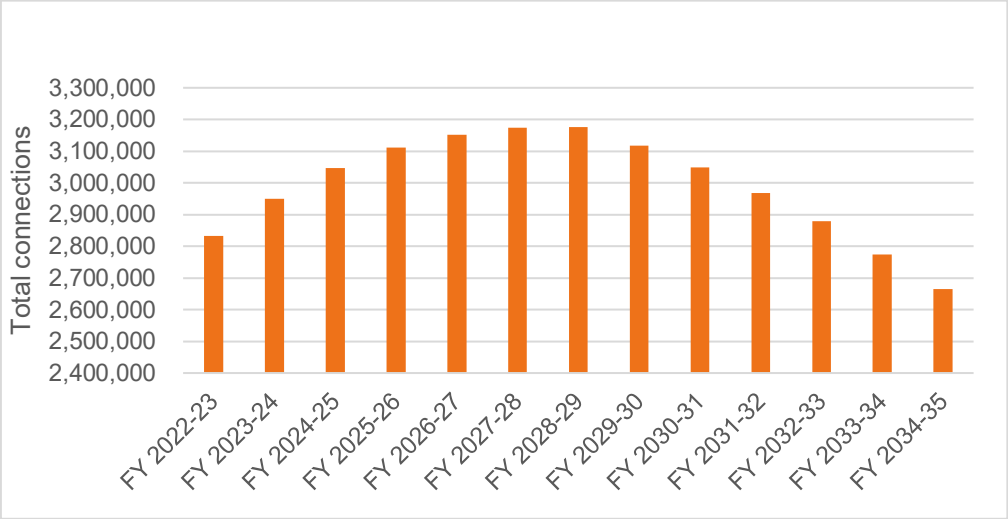

Figure 4: Figure 4: IGT total connection number forward looking forward projections based on their RFI return

2.26 The IGTs' projections are based on the National Electricity System Operator's (NESO) Future Energy Scenarios (FES)[16] which set out several plausible long-term pathways for Great Britain's (GB) energy system in its transition to Net Zero by 2050. Across all net-zero aligned scenarios, unabated natural gas demand declines rapidly as heat electrification, hydrogen and biomethane adoption accelerate, with only the 'Falling Behind' scenario retaining higher levels of future gas usage. NESO's assumptions include accelerating consumer heat pump uptake, substantial growth in clean gases, and the need for a steep reduction in fossil fuel heating.

2.27 The FES pathway illustrated in figure 5 below[17], shows a clear and sustained decline in gas demand across all NESO pathways. Even under the more gradual FES transition pathways, such as Electric Engagement and Falling Behind, gas use begins to fall from the mid-2020s and continues to contract steadily through to 2050. In the net-zero aligned pathways (Holistic Transition and Hydrogen Evolution), the decline becomes far more pronounced from the early 2030s as heat electrification, hydrogen deployment, and biomethane growth accelerate, displacing unabated natural gas.

[16] Future Energy Scenarios (FES) | National Energy System Operator

[17] **available at:** https://www.neso.energy/publications/future-energy-scenarios-fes#FES-2025-Executive-Introduction using 'gas' fuel selection across all FES 2025 pathways

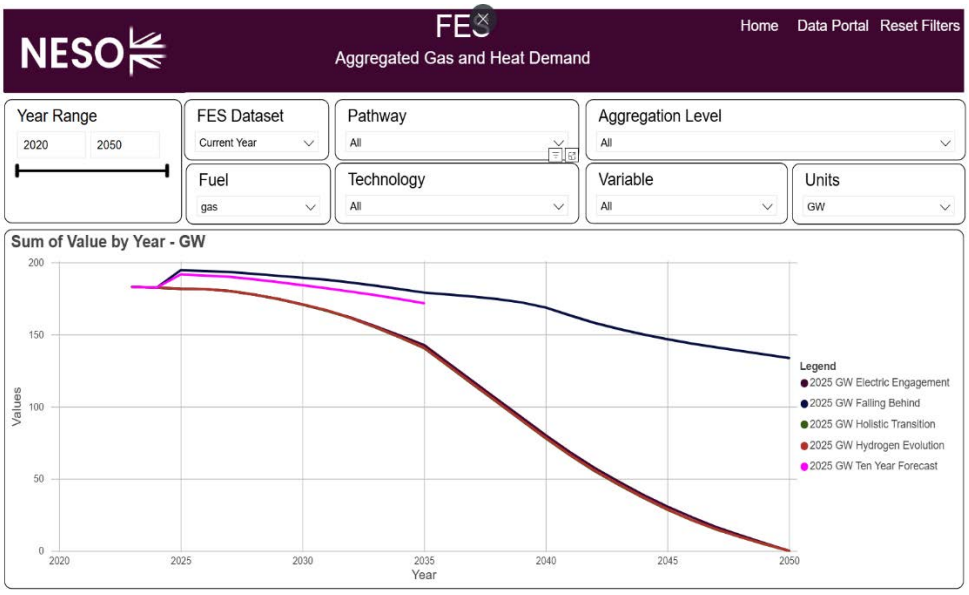

Figure 5: Aggregated gas and heat demand projections, sourced from NESO's Future Energy Scenarios (FES) Data Portal (2025)

2.28 Our view is it is reasonable for IGTs to base their forward connection projections on the clear direction of travel indicated by government policy. That direction points toward an increasing shift away from gas as a source of heat for residential properties and, consequently, a higher likelihood of increased disconnection numbers over time as electrification of heat progresses. While FES scenarios are not forecasts and the actual rate of disconnections are subject to uncertainty, they provide an independently developed and industry-recognised framework for illustrating the nature and scale of change that could be possible in a net-zero-aligned future. Even if disconnections do not occur in line with FES pathways current policy intent towards electrification is clear and we view it as reasonable for IGTs to plan on that basis.

Impact on the IGT sector

2.29 The impact of a rise in disconnections is that it could place IGTs in a position where, because of the constraint imposed by the RPC ceiling, they may be unable to recover their costs effectively. If disconnections occur, it is likely their charges would fall increasingly behind the downstream GDN-equivalent charge over time.

2.30 Evidence submitted to Ofgem by several IGTs includes detailed information on their revenues and the costs associated with operating their gas transportation businesses. This commercially sensitive material is confidential and cannot be reproduced here. We are however satisfied that the underlying analysis shows, under FES aligned disconnection rates, there is a credible risk that IGTs could become unfinanceable if these scenarios materialise.

2.31 Even without incorporating the direct cost of undertaking physical disconnections, the financial impact of an early disconnection would remain significant to IGTs. As described in 2.16, IGTs' business models rely on adoption payments calculated from several years of forecast revenue. Each early disconnection therefore results in both unrecovered

revenue and an unrecovered adoption payment, which IGTs cannot recover due to the constraints imposed by the RPC ceiling. This means that revenue loss from early disconnections alone could present sufficient risk to push affected companies into loss-making positions within the next price control period.

2.32 Modelling commissioned by IGTs shows the levels of constraint the sector could face if disconnections occur in FES aligned scenarios. This analysis in figure 6 shows the IGT charge as a portion of the GDN charge so that values under 1 indicate where the IGT charge being constrained by the RPC ceiling. This is then repeated for sites entering RPC in each year since 2004, across all GDN regions, and with a one-off increase occurring at the start of GD4 to reflect an increase in GDN revenues (0%, 10%, 20%, 30%). Outcomes are similar across all scenarios and regions. IGT connections first track the GDN charge for a small period (typically less than five years) and then face constraint.

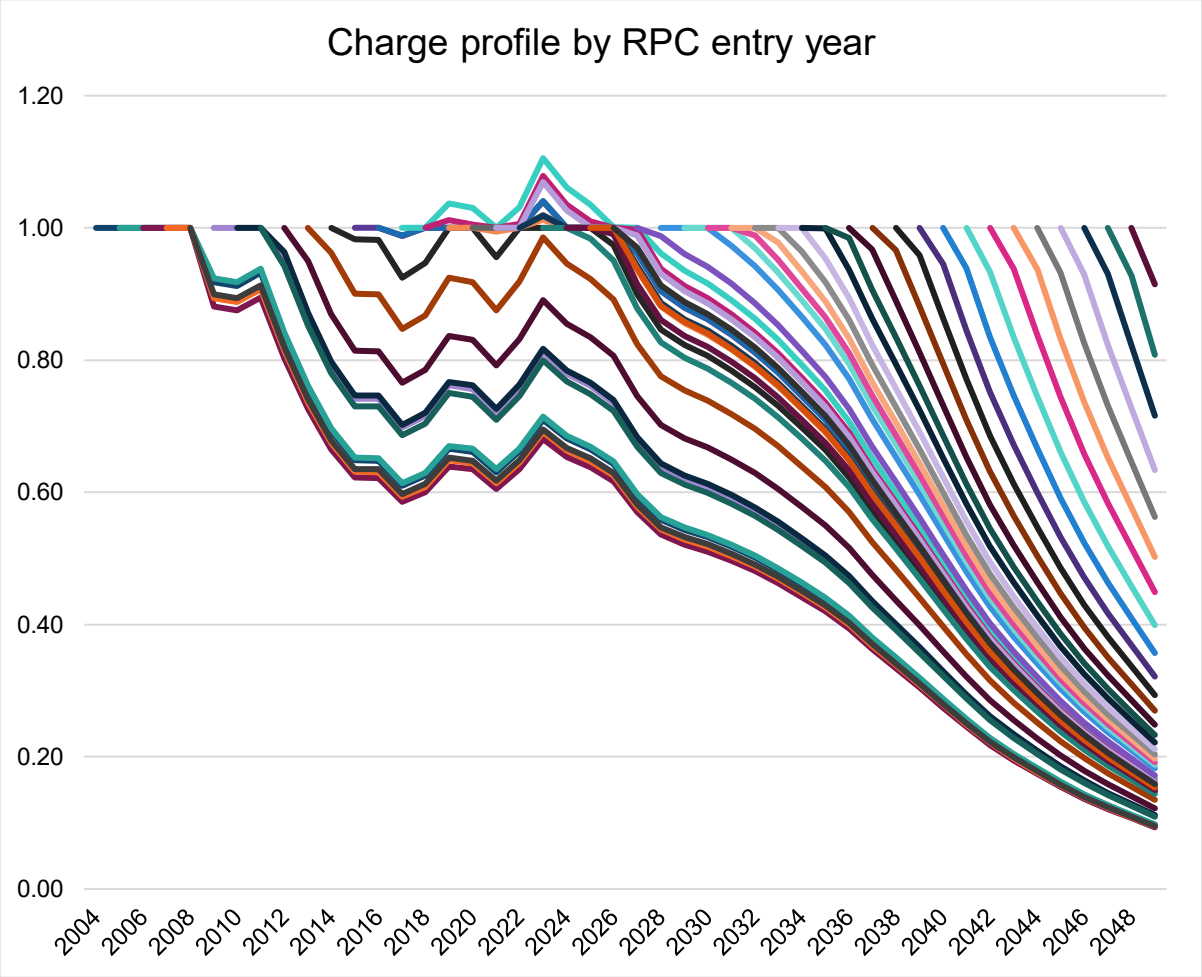

Figure 6: CEPA analysis, Ofgem, GDN and Last Mile Infrastructure published data, NESO FES (Electric Engagement). Scenario shown is Scotland, RIIO-GD3 +0%.

2.33 These forward projections are from Cambridge Economic Policy Associates (CEPA), commissioned by LMI, highlight a progressively more constrained picture for the IGT sector. These projections use the NESO FES Electric Engagement scenario for the Scotland region, with a RIIO-GD3 +0% shows the IGT charge as a portion of the GDN

downstream charge so that values under 1 indicate where the IGT charge is likely to be constrained by the RPC ceiling.[18] Under this scenario, from 2025 onwards, the oldest pre-2009 entrants to RPC experience a continuation of the long-running revenue constraint already evident in the preceding decade, declining to being able to recover only around 33–39% of the GDN downstream charge by 2035 and only 7-9% of the GDN downstream equivalent charge by 2048. For the 2010–2019 cohorts, the period from 2025 onwards marks the start of a much sharper deterioration. A connection entering RPC during these years is projected to recover only around 46–56% of the GDN's downstream charge by 2035, falling further to around 10–12% by 2048. These cohorts therefore face a deepening period of structural constraint over the remainder of their lives, with no prospect of returning to parity. The most recent cohorts entering RPC before the expected phase-out of new gas builds face almost immediate constraint that worsens over time. By 2035 this cohort are projected to be recovering only 60–75% of the corresponding GDN downstream charge, dropping further to recovering around 15% by 2048.

2.34 While actual outcomes will depend on the pace and scale of any future disconnections, the modelling illustrates a structural and enduring pressure on IGT revenue recovery caused by the RPC ceiling's constraint. FES pathways provide a clear and transparent illustration of this effect, but the underlying driver of declining gas demand as electrification increases are not specific to that pathway. As a result, even under alternative assumptions about future disconnection rates, the direction of travel is likely to remain the same across any Net Zero outcome, with the RPC ceiling increasingly constraining IGT revenues over time. This creates a credible and escalating risk that, without reform, the current ceiling could limit IGTs' ability to recover efficient costs in the future, with potential implications for financeability and long-term business viability.

Depreciation

2.35 Regulatory depreciation is a key building block of the revenue that network companies recover. For GDNs, depreciation allowances are explicitly set by Ofgem through the RIIO price control framework, based on assumptions about asset lives and how those assets are used over time which directly influence the level of GDN allowed revenues.

2.36 IGTs are not governed by RIIO and do not receive explicit depreciation allowance as GDN's do for their asset base. Instead, depreciation costs are recovered through their charges under the RPC with the intent that IGTs may charge up to the level of the notional downstream GDN equivalent charge, subject to the constraints of the floor and ceiling.

2.37 The intention of the RPC is that if GDN allowed revenues changes, then an appropriate portion of this change would be reflected in the IGTs via the downstream GDN charge going up or down, dependant on the change subject to the floor and ceiling. In principle, this ensures that IGT charges broadly reflect the cost movements faced by the GDN.

2.38 Through our engagement with stakeholders and responses received to our Call for Input, the IGT sector raised concerns about the potential impact of accelerated depreciation

[18] The RIIO-GD3 +0% scenario assumes no uplift to GDN allowed revenues at the GD3–GD4 transition. Other sensitivities tested (+10%, +20% and +30%) and results across all GDN regions show similar impacts on RPC constraint. Analysis reflects INA member networks only, which account for around 99% of IGT connections.

under the RPC framework. Their feedback highlighted that while the RPC is intended to allow relevant changes in GDN allowed revenues to flow through to IGT charges via the downstream GDN benchmark, in practice this mechanism is constrained by the operation of the ceiling.

2.39 IGTs explained that because most of their meter points are already charging at the ceiling, any increase in the downstream GDN charge related to accelerated depreciation would not be reflected in IGT charges. Even where a small proportion of meter points remain below the ceiling, the initial uplift in GDN charges would likely push these charges to the ceiling as well. As a result, IGTs argued that they would be unable to recover the depreciation-related costs that the RPC is designed to allow through the notional GDN benchmark.

2.40 At the start of our review, our RIIO-3 Sector Specific Methodology Decision (SSMD) set out our intent to accelerate depreciation for gas network companies. Our rationale at the time was to protect both current and future consumers as the role of the gas network changes. A shrinking customer base increases the risk that future consumers would face higher charges, while also heightening perceived asset-stranding risks. Accelerating depreciation was therefore intended to bring forward cost recovery, ensure a fairer distribution of costs over time, and provide greater certainty for network companies and investors.

2.41 Since the publication of the SSMD, we have published our Final Determinations for RIIO-3[19] confirming that we would accelerate depreciation only for new additions to GDN Regulatory Asset Value, using a sum-of-digits approach with asset lives set so that new investment is fully depreciated by 2050. Depreciation policy for existing assets remains unchanged from RIIO-GD2. Our revised approach reflects the significant uncertainty surrounding the future role of the gas network. By limiting accelerated depreciation to new assets, we aimed to balance the need to manage asset-stranding risk with the importance of avoiding unnecessary cost increases for consumers, many of whom may rely on the network for only a limited period. We will continue to monitor the appropriateness of this policy as circumstances evolve and expect to revisit it in the price control following RIIO-3, or earlier if required.

2.42 This change in our position means that the immediate impact on IGTs is significantly reduced compared to what the sector had initially feared. Because accelerated depreciation will apply only to new GDN investments, the scale of any corresponding adjustments to the downstream GDN charge and therefore the IGT benchmark will be smaller over the RIIO-3 period. As a result, accelerated depreciation is now a less pressing issue within the scope of this review.

2.43 However, the concerns raised by IGTs remain relevant when considering the longer-term resilience of the RPC framework. The floor and ceiling continue to limit the ability of IGT charges to reflect changes in GDN allowed revenues. While the revised depreciation policy reduces the near-term impact, future changes in GDN depreciation or other policy shifts may again require IGT charges to adjust in ways that the current RPC floor and ceiling mechanism does not readily accommodate. The issues highlighted by

[19] RIIO-3-Final-Determinations-overview.pdf chapter 7

stakeholders therefore reinforce the need to consider whether the floor and ceiling continue to allow the RPC to operate as intended.

Conclusion

2.44 Based on the evidence currently available, our view is that the existing RPC floor and ceiling arrangements may no longer be fit for purpose in the context of the energy transition. The combined effect of rising disconnections, the structural decline in new gas connections, and the mechanical constraint imposed by the RPC ceiling creates a credible and material risk that IGTs will be unable to recover their efficient costs in the years ahead.

2.45 Our conclusions at this stage are based on the information available to us through RFI responses, CEPA modelling, and broader system-wide evidence (such as NESO's FES). We recognise there are uncertainties and disconnection volumes, cost impacts, and future market dynamics may evolve. We remain open to additional data and analysis from stakeholders that could materially change our assessment of the scale or timing of the problem, along with our response as the regulator.

Questions

Q1. Do you agree with our assessment that the current RPC floor and ceiling have resulted in a material constraining effect on IGT charges over time?

Q2. Do you agree that a case for revising the RPC floor and/or ceiling has been sufficiently established?

3. Proposed options for change

3.1 This chapter sets out our proposed options for change to the IGT RPC on the following areas:

- Our proposed changes to the floor and ceiling
- Enhanced reporting standards we're proposing for the sector
- Other updates to the RPC we're considering, such as updating the use of Retail Price Index (RPI) to Consumer Price Index including owner occupiers Housing costs (CPIH) and looking at the efficiency factor

3.2 These proposals build on the evidence gathered through our review. Together, they aim to set out a balanced and proportionate package of reforms intended to ensure the RPC remains effective, transparent and adaptable to future policy changes.

3.3 Before setting out the options we have considered, it is important to restate that the purpose of the RPC is not designed to be a precise, cost-reflective mechanism for IGTs, nor does it seek to replicate the detailed cost assessment that applies to GDNs through RIIO price controls. Instead, it was intended to deliver a fair outcome for consumers by constraining IGT charges to broadly align with those of the equivalent downstream GDN network, while providing a degree of protection for both consumers and investors.

3.4 The options set out in this chapter are therefore assessed against their ability to restore the effective functioning of the RPC and deliver fair and proportionate outcomes for consumers, rather than against highly granular cost modelling. While indicative impacts and transition effects are relevant, the focus is on whether each option supports a stable and workable framework over time.

Changes to the floor and ceiling

3.5 This section sets out the full range of options we have considered for the future of the RPC floor and ceiling, including those developed jointly with the IGTs through working groups and policy discussions. It explains our shortlisted proposals we are consulting on, along with our minded to position, and our long list of potential reforms in this area, the options ruled out.

3.6 Options were first identified and explored through a series of dedicated working groups involving representatives from across the IGT sector along with Citizens Advice. These sessions provided the basis for generating early ideas, testing underlying assumptions, and identifying where further evidence or clarification was required. We then carried out further analysis to evaluate the deliverability, proportionality and regulatory consistency of each option.

Proposed options for change- shortlist

3.7 We believe these shortlisted options address the underlying issues identified in our review, including the growing constraint created by the floor and ceiling and the projected financeability risks highlighted in stakeholder modelling if the RPC framework remains unchanged.

Option 1 - Full removal of the floor and ceiling (full uplift to GDN equivalent charges now).

3.8 Under this option, the RPC floor and ceiling would be removed entirely from the licence. IGT charges would be permitted to align immediately with the equivalent downstream GDN charge, based on movements in wSSP.

3.9 We have shortlisted this option because it offers a direct response to the constraint within the current RPC framework. By removing the floor and ceiling in full, it would eliminate the gap that has developed between IGT and GDN charges and restore parity from the outset. This approach enables IGTs to mirror future movements in GDN charges on an ongoing basis, including changes arising from future policy changes that may affect downstream networks. The reform could be implemented through a relatively simple licence modification and would therefore be straightforward to enact.

3.10 However, removing the floor and ceiling entirely would also remove consumer protections designed to limit exposure to extreme within-period volatility. While this option would provide IGTs with complete flexibility, it would do so at the expense of safeguards that help ensure a balanced outcome for both current and future consumers.

3.11 In addition, although a full uplift would correct the structural divergence between IGT and GDN charges, it could result in a sudden increase in transportation charges on the wider gas charging system potentially putting short term pressure on gas shipper and supplier costs and cash flows. The potential scale and immediacy of the adjustment under this option therefore warrants careful consideration. Overall, while this option resolves the structural constraint identified in our review in the most direct way, it may not provide the most appropriate balance between financeability concerns, consumer protection and managing the impact of any transition.

Option 2a - Adjust RPC according to RIIO changes (keeping the floor and ceiling) with an immediate uplift now to align IGTs with GDN charges.

3.12 Under this option, IGT charges would be aligned with the equivalent downstream GDN charge through an immediate step change, and this alignment would then be maintained through further adjustments at the start of each future RIIO price control period. The existing ±5% floor and ceiling would be retained between price controls, continuing to act as a guardrail against large within-period movements in GDN revenues.

3.13 We believe this option offers a balanced and proportionate response to the issues identified in our review. The immediate uplift would correct the structural divergence created by the current ceiling, addressing the long-running constraint on IGT charges which has developed as GDN charges have risen and the RPC ceiling has prevented IGT charges from doing the same. We believe that regular realignment at the start of each price control period would prevent this divergence from re-emerging over time. While the floor and ceiling have not operated effectively to date, we consider that this reflects the absence of a mechanism for regular review rather than a fundamental weakness in the concept of floor and ceiling themselves.

Figure 7 applies the same underlying methodology used in Figure 2 to illustrate the operation of the RPC over time, but extends this analysis to show how the proposed option to reset the floor and ceiling at the start of each price control period would have affected historic outcomes.[20] Under this option, the scheduled price control adjustments would provide a clear and predictable opportunity to reassess and reset alignment. We therefore believe that retaining the floor and ceiling in this context would allow the mechanism to function as intended, without becoming persistently binding. We believe this option would improve financeability outcomes by restoring parity with GDN charges and providing IGTs with a high degree of regulatory certainty, as highlighted in stakeholder modelling. This, in turn, would help ensure the sector remains investable as new connections become less common and disconnections increase. At the same time, retaining the floor and ceiling would continue to provide important consumer protections by limiting exposure to extreme or unexpected volatility within price control periods. However, unlike a more incremental approach, the immediate uplift under this option would not help moderate the risk of a sudden adjustment for the wider gas charging system. We recognise this as a key consideration for stakeholders.

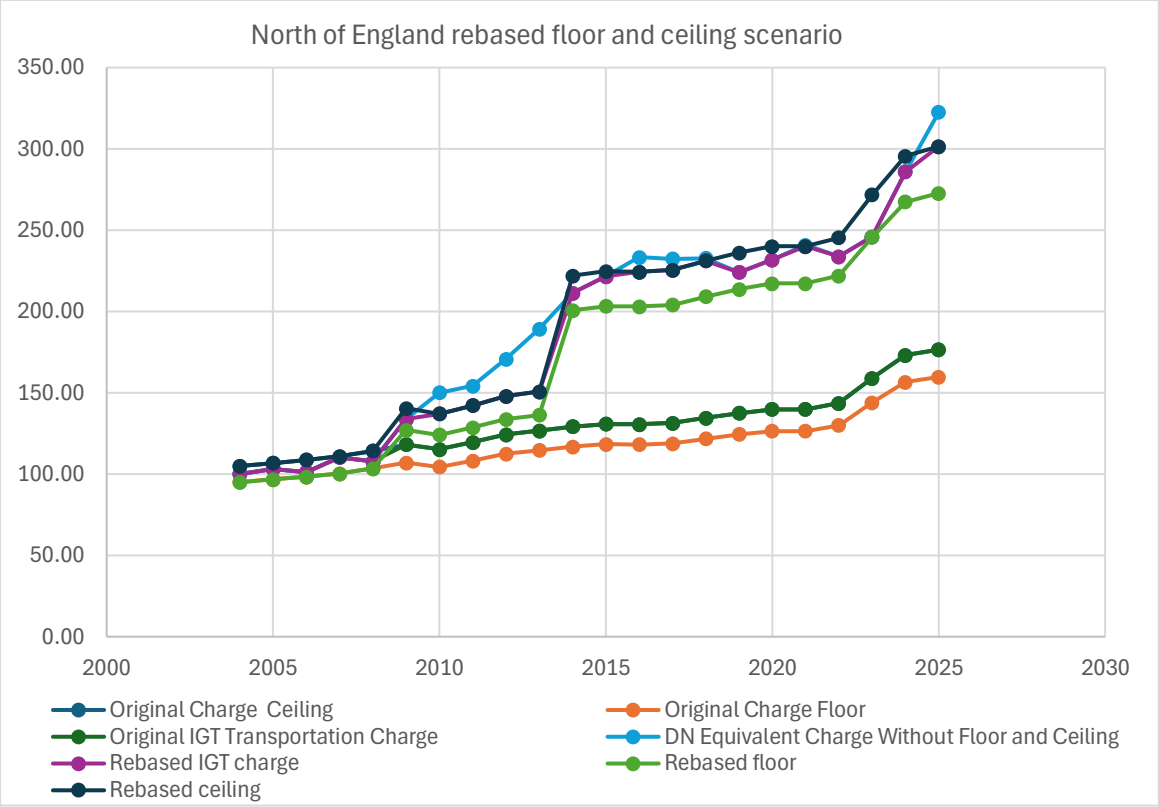

Figure 7: Path of IGT charges showing a 2004 historic entrant to RPC and the path IGT charge, floor and ceiling if it had been reset every price control in line with the GDN equivalent charge

[20] As in Figure 2, the analysis uses a nominal entry charge for a 2004 RPC entrant and applies published GDN SSP charge movements and historic RPI data to calculate annual RPC adjustments in line with the licence formula. In addition, at the start of each new price control period, the floor and ceiling are reset to align with the downstream GDN-equivalent charge before subsequent annual adjustments are applied.

3.14 Overall, we believe this option addresses the identified structural and financeability concerns by restoring and maintaining alignment with GDN charges, while continuing to provide appropriate consumer protections through the retention of the floor and ceiling. Although it does not avoid an initial step change, we consider that the longer-term stability, predictability and transparency offered by this approach would provide stability for the IGT sector going forward.

Option 2b - Adjust RPC according to RIIO changes (keeping the floor and ceiling) with a phased uplift to align IGTs with GDN charges.

3.15 This option would deliver the same long-term policy outcome as the previous option but manages the initial transition more gradually by phasing the initial uplift to the GDN-equivalent charge over a defined period, for example, two to three years as shown in figure 8 below. This stepped change would apply only to the initial transition to align IGT charges with the GDN downstream equivalent charge and would not be repeated at subsequent price control resets.

3.16 This option could include a subsequent period in which IGT charges would exceed the GDN downstream equivalent charge in order to recover previous under-recovery. However, we do not consider such an approach to be consistent with the underlying intent of the RPC. A fundamental feature of the control is that IGT charges should not exceed those of the GDN downstream equivalent network. Accordingly, under this option we propose that the phased uplift would apply until IGT charges achieve parity with GDN charges. IGT charges would then be realigned to the GDNs equivalent downstream charge at the start of each price control period, with the ±5% floor and ceiling retained.

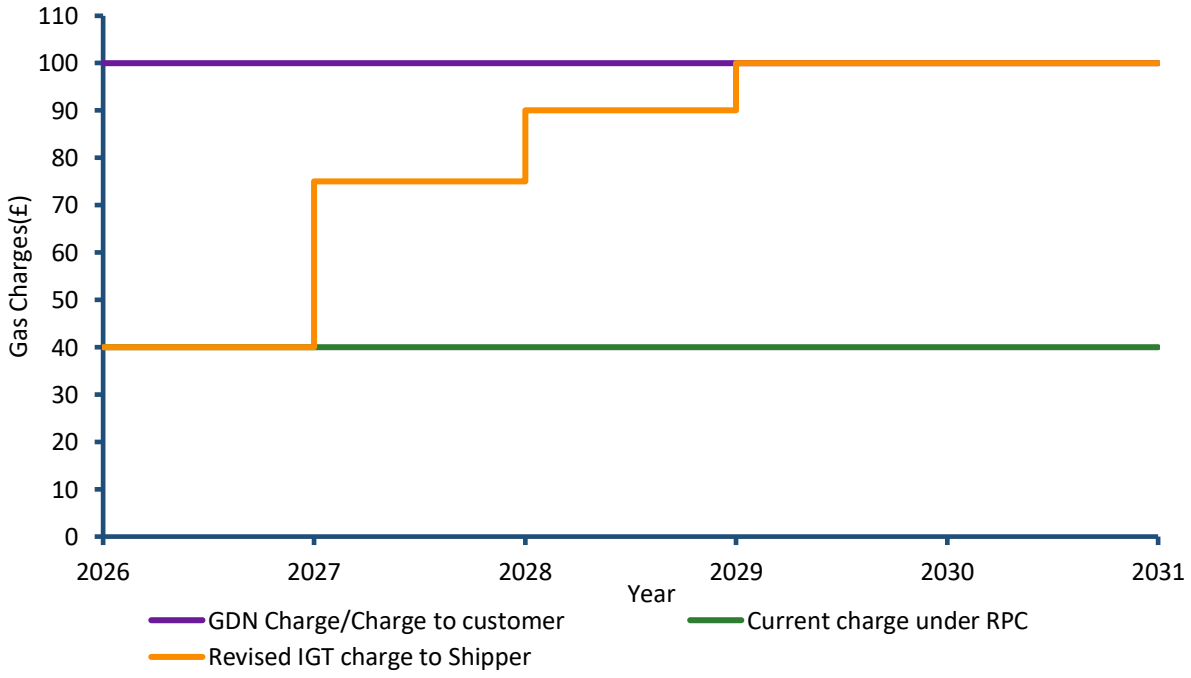

Figure 8: Example of the proposed phased step change implementation option

Quantifying the impact of the options

3.17 To inform our assessment of the materiality of the RPC floor and ceiling, and to support our consideration of the proposed options for change, we collected additional revenue analysis from IGTs. This analysis represents just over 96% of the IGT sector by customer numbers. While the analysis does not cover the entirety of the sector, it captures the large majority of IGT connections and revenues. We therefore consider the dataset to be sufficiently representative to provide a robust indication of the scale and nature of the impacts of the RPC floor and ceiling.

3.18 We will continue to interrogate and refine this analysis as part of this review, including taking input from responses to this consultation.

3.19 Participating IGTs were asked to calculate their historic revenues under three scenarios:

- IGT revenue the current RPC arrangements;
- IGT revenue if the RPC floor and ceiling was removed; and
- IGT revenue if the RPC floor and ceiling had been reset according to the GDN downstream equivalent charge the start of each price control period.

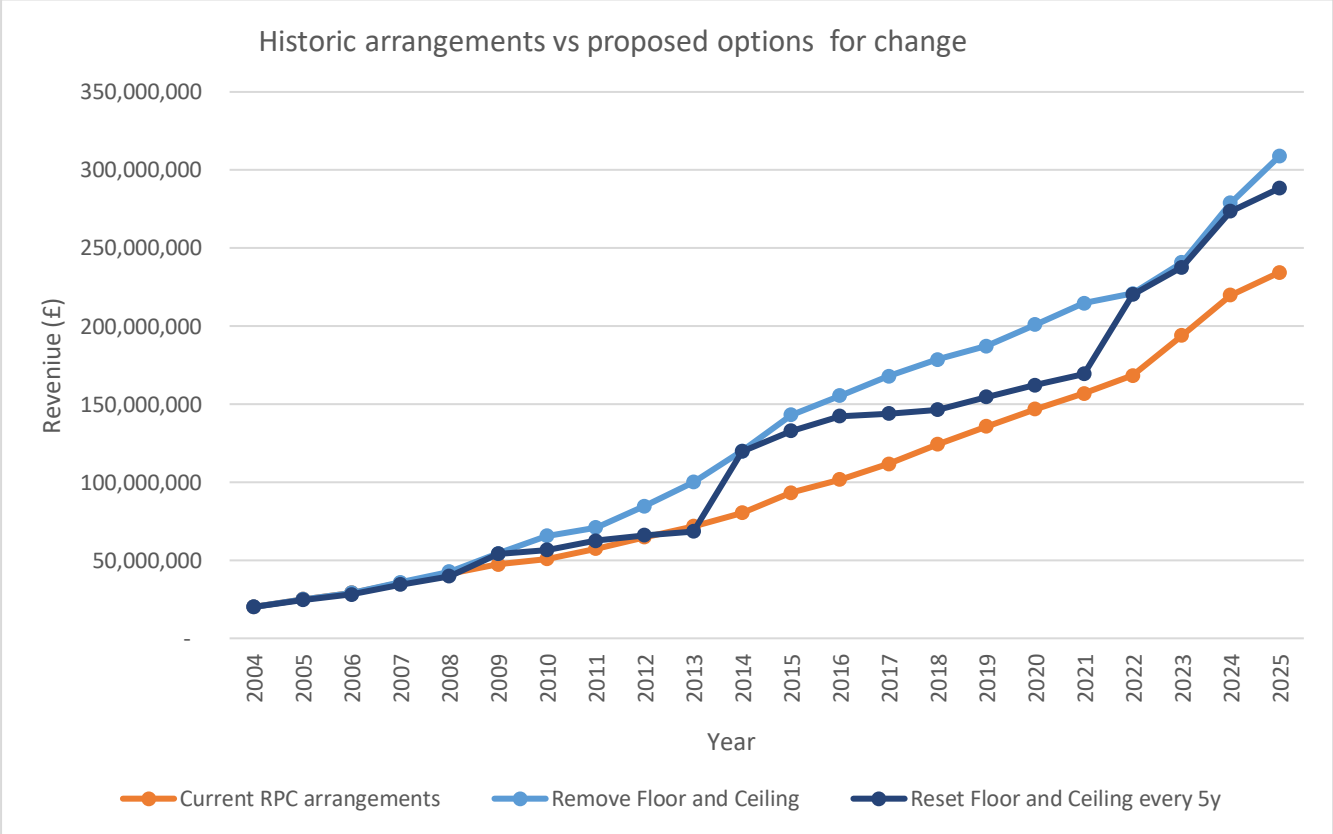

Figure 9: IGT historic revenues: current RPC arrangements compared with alternative floor and ceiling options

3.20 The historic analysis suggests that the current RPC ceiling has had a significant impact on IGTs' ability to recover revenue relative to the unconstrained downstream

GDN-equivalent charge. On average, this has resulted an average £33.41m difference across the sector compared to the level of revenue recoverable by GDNs. This effect has intensified over time, with the estimated annual amount rising to £74.48m as of 2025. The historic figures show that the difference in IGT revenue has increased year on year under the current floor and ceiling arrangements, and we would expect this trend to continue in the future.

3.21 Without the floor and ceiling, IGT charges would be able to fully track the downstream GDN-equivalent charge and eliminate this revenue gap. The historic analysis illustrates that a five-year reset of the floor and ceiling could have materially reduced the extent of the difference while retaining the stabilising features of the current framework. Over the last 22 years, this approach (Option 2b) would have resulted in an average difference of £13.57m per year relative to the downstream GDN-equivalent charge, with most divergence occurring in periods at the end of price control periods before a reset then corrects this difference.

3.22 We present this historic analysis for evidential and contextual purposes only, to illustrate how different regulatory options would have performed had they been in place historically. Any changes to the RPC would be forward-looking only.

3.23 IGTs were also asked to project revenues under each scenario over a forward-looking period of ten years. For these projections, companies used the revenue assumptions set out in the finance annex of the GD3 final determination as a proxy for wSSP for 2027 to 2031, along with two GD4 revenue scenarios, one broadly inflation-equivalent,10%[21] increase from GD3 revenues over the control period (Figure 10) and a higher GDN revenue scenario of a 30% increase (Figure 11). These projections do not account for future disconnections or changes in portfolio size and therefore do not represent forecasts of exact future revenues which could be overstated by up to 40% towards the end of the projection period. These scenarios are instead intended to test the relative performance of the current framework and our proposed options under future pathways for GDN charges, rather than provide exact revenue forecasts.

3.24 Looking ahead, it is also important to consider the scale of the divergence between the status quo and the proposed options at the point at which any changes could first take effect. Based on the modelling used in this review, by 2027, the earliest year in which changes to the RPC could be implemented, the annual gap between IGT charges under the current arrangements and the downstream GDN-equivalent charge is estimated to be in the range of £125–£140 million across the sector. Under the two options for change, this amount would represent revenue that IGTs would be able to recover relative to the status quo, rather than remaining constrained by the existing ceiling. This figure is therefore a key consideration in assessing the consumer and market impacts of reform, alongside the longer-term financeability implications for IGTs.

[21] Using an assumption of 2% for each of the 5 year price control period over GD4

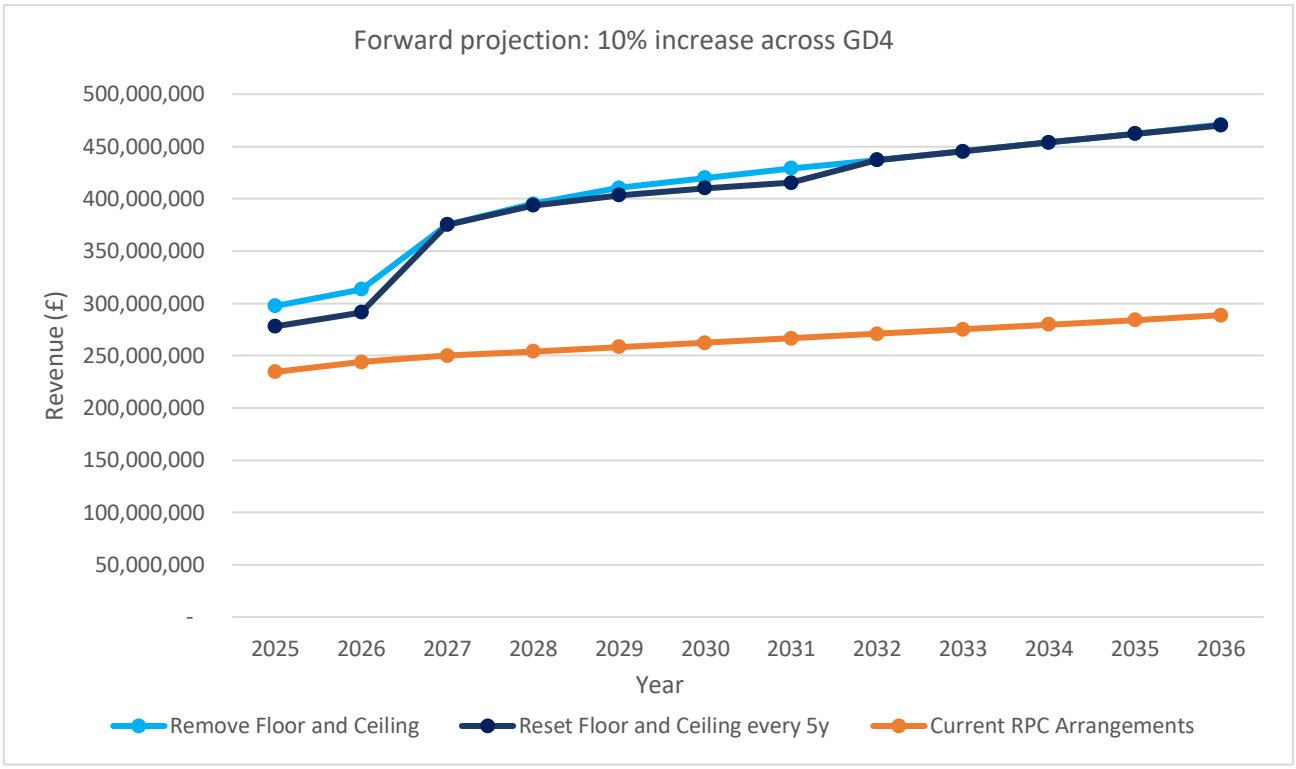

Figure 10: IGT future projected revenue: current RPC arrangements compared with alternative floor and ceiling options with a 10% increase in GD4

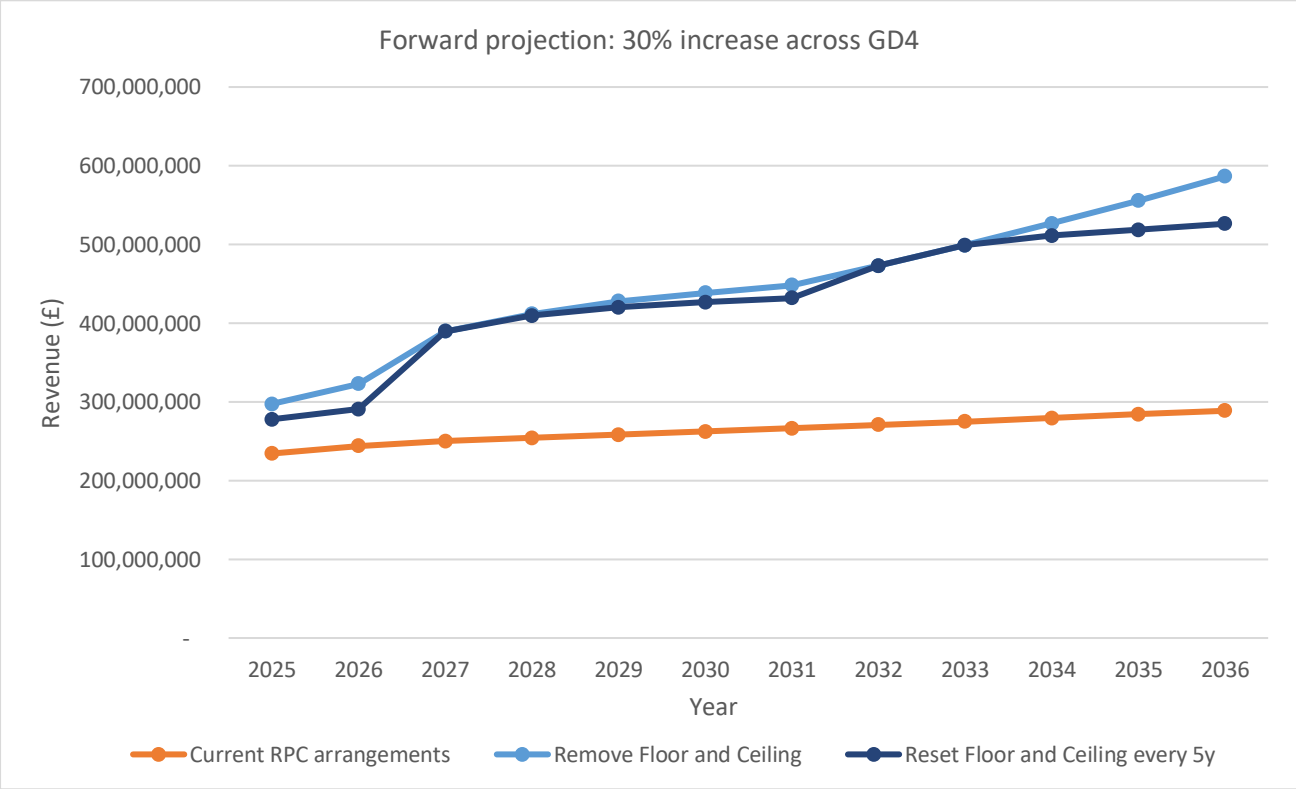

Figure 11: IGT future projected revenue: current RPC arrangements compared with alternative floor and ceiling options with a 30% increase in GD4

3.25 Under the 10% GD4 scenario, IGT revenues would broadly track the downstream GDN

charge, with a difference of £75.43m over the 11-year period, averaging £6.86m per year. In this scenario, the difference is largely concentrated towards the end of the current price control, before any proposed changes could take effect. The ceiling would therefore only constrain IGT revenues towards the end of each price control period, consistent with its intended role in protecting consumers from sharp increases in charges. Under the 30% increase GD4 scenario, the gap between IGT revenues and the GDN downstream charge is larger, with an average difference of £18.32m per year over the same period. In this higher-growth scenario, the ceiling provides short-term protection by limiting within-period increases, before realignment at the next price control reset.

3.26 As with all the forward-looking analysis presented in this section, these revenue outcomes are based on current IGT connection portfolios and do not account for future new connections or disconnections. Exact revenues may therefore differ from those illustrated. Nonetheless, the projections are informative in demonstrating the relative improvement in IGT revenue recovery under this option compared to the current arrangements, while continuing to balance alignment with GDN charges against protections for consumers.

3.27 Overall, we believe this option strikes an appropriate balance between improving alignment between IGTs and GDN downstream charges whilst limiting exposure to sharp year-to-year increases for consumers. Under an approach that resets the floor and ceiling at each price control, IGT revenue recovery would remain largely unconstrained over the long term but would retain the ceiling within each price control period to mitigate sharp increases. Even under higher GDN charge scenarios, this option addresses the structural misalignment in IGT charges present under the current framework while continuing to protect consumers and the wider gas charging system from sharper increases.

3.28 Under either option, implementing changes to the IGT RPC would require an initial uplift to reset baseline IGT charges to the GDN downstream-equivalent charge. If changes were made, current timelines aim at implementation from 2027. The forward-looking projections indicate that, by 2027, the annual gap between IGT charges and the downstream GDN charge would be in the range of £125–£140 million. We are therefore mindful that implementing an uplift of this scale immediately could result in a price shock to the wider gas charging market which is a consideration in our final decision.

Minded to position

3.29 We are minded to implement option 2b. We consider it to provide the most balanced and proportionate response to the issues identified in our review. It corrects the structural constraint created by the current ceiling while maintaining important consumer protections and gives IGTs the regulatory certainty and enhanced visibility they require to remain financeable and investible in the context of declining new connections and rising disconnection activity. We believe the key advantage of this option lies in how it manages the transition to alignment. By phasing the uplift over a defined period, this approach would allow the gap that has developed between IGT and GDN charges to be recovered more gradually from the wider market, reducing the risk of a sharp adjustment by the wider gas charging system, while still delivering within a reasonable timeframe. In our view, this offers a more measured and proportionate way of addressing the divergence than an immediate step change.

3.30 Given the uncertainty facing the gas sector and the evolving policy context, we recognise that wider changes affecting both GDNs and IGTs may be required over time. We therefore expect to keep the operation of the RPC, including the floor and ceiling, under review to ensure it remains appropriate as the energy system continues to evolve.

3.31 Adopting this option would require further work to confirm how the phased uplift and subsequent price-control realignments operate in practice. This work is ongoing, and we will set out more detail as our policy thinking develops into our statutory consultation.

3.32 We welcome stakeholder views on the options set out in this section. In particular, we invite comments on the suitability and proportionality of the shortlisted options, and any alternative approaches stakeholders believe we should consider as part of this review.

Longlist of options considered and ruled out

3.33 This subsection sets out the longlist of options that were considered during the development of this review but ultimately ruled out. These options are not being proposed for consultation, but we include this material to provide transparency around the options that have been examined, and to explain why certain approaches were discounted.

3.34 **Retaining the floor but removing the ceiling**. This option would remove the RPC ceiling while retaining the floor, allowing IGT charges to increase in line with movements in GDN weighted single supply point (wSSP) charges, but preventing charges from falling below the level of the floor. Whilst this would address the current concern of the upper ceiling constraining IGT charges from tracking equivalent GDN charges over time, removing the upper ceiling while retaining the lower floor would remove the symmetrical nature of the current floor and ceiling arrangement, raising questions around fairness and creating an asymmetrical risk profile. We consider this option would signal a prioritisation of IGT revenue recovery over consumer protection, contrary to our Principal Objective. On this basis, we have rejected this option.

3.35 **Widening the floor and ceiling**. This option would expand the current ±5% corridor to allow greater headroom before the floor and ceiling becomes binding. While this could provide some short-term flexibility, we consider that it would not address the underlying structural issue that IGT charges are unable to track equivalent GDN downstream charges once the ceiling is reached. Even with a wider corridor, IGTs could remain materially constrained over time, particularly under scenarios where revenues are affected by increasing disconnections. We also consider that widening the corridor would introduce additional complexity without providing a durable solution. Any revised percentage would need to be calibrated based on assumptions about future charge trajectories and sector developments and would therefore risk becoming misaligned as circumstances evolve. This could result in the corridor once again becoming binding, requiring further intervention. On this basis, we consider that widening the floor and ceiling would offer only temporary relief and have therefore rejected this option.

3.36 **Application of cost adders to the current RPC framework.** This option would retain the current RPC but introduce additional revenue allowances (e.g., per-connection cost adders) to enable IGTs to cover specific new burdens such as disconnections or future accelerated depreciation. Although initially appealing, we ultimately discounted this option due to the significant complexity involved in determining which cost adders should

apply and at what level. We consider this approach to be inherently complex and reactive, with a high risk of creating mismatches between levels of set cost adders and actual costs as circumstances evolve. Introducing multiple cost adders would also increase within-sector complexity, resulting in tiered and less transparent charging arrangements and imposing additional administrative burdens on both the wider gas charging system and IGTs. On this basis, we consider this option to be less effective than alternative approaches and have therefore rejected it.

3.37 **Remove the floor and ceiling after 10 years.** This option would retain the existing RPC for the first ten years following a site entering the regime, after which the floor and ceiling would be removed, allowing IGT charges to fully reflect equivalent GDN downstream charges. In practice, the proposal would result in a two-tier outcome. Some sites would be able to immediately track the equivalent GDN charge, thereby mitigating financeability concerns for those assets. However, other sites would remain constrained by the current ceiling throughout the ten-year period, meaning that the underlying distortions in the charging framework would persist. By allowing the charging mechanism to continue operating in a constrained and inconsistent manner for an extended period, we believe it would be more administratively complex and would fail to deliver a timely or comprehensive fix to the financeability challenges faced by IGTs and has therefore been discounted.

3.38 **Maintain the current RPC arrangements ("do nothing").** This option would retain the existing ±5% floor and ceiling and the current RPC mechanism. We rejected this option, as we believe the available evidence points to a clear case for change from the current RPC arrangements. This view is grounded in emerging financeability risks, projected disconnections, and modelling which suggests that several IGTs would be at risk of becoming loss-making within the next price control under FES-aligned scenarios. Taken together, this evidence indicates that the current RPC framework is increasingly misaligned with expected future conditions. Based on the evidence currently available, we consider that maintaining the existing RPC arrangements would be unsustainable for the sector, weakening investment conditions over time and increase the risk that IGTs become unable to finance or offer new connections.

Questions	
Q3.	Do you agree with our proposed changes to the RPC floor and ceiling?
Q4.	Do you agree with our proposed reporting requirements for the IGT sector?

4. Other changes under consideration

4.1 In addition to the proposals set out above, we are considering further changes to the IGTs' licence and regulatory arrangements.

4.2 If, having carefully considered responses to this consultation, we decide to proceed with these changes, we will issue a statutory consultation on modifications to Special Condition 1 of the IGTs' licences and/or consult on any other changes that sit outside of the licence. We intend to do this at the same time as any other licence modifications we deem necessary to implement our decision.

Enhanced reporting

4.3 The IGT sector has expanded significantly, with the largest IGTs now operating at a scale comparable to some smaller GDNs. This growth in the sector strengthens the case for enhanced regulatory oversight to ensure that Ofgem can continue to fulfil its duty to protect consumers and promote high-quality service across all parts of the gas distribution market.

4.4 At present, the lack of standardised reporting limits Ofgem's ability to gain a clear and consistent view of the service provided by IGTs to their customers. Different definitions and reporting practices make it difficult to compare core quality of service metrics such as complaints on a like-for-like basis. As the sector continues to grow, the effects of these inconsistencies will become increasingly material, potentially obscuring issues that affect consumers' experience and outcomes.

4.5 It is our view that the introduction of more consistent and transparent reporting, aligned with approaches used across the wider gas distribution sector where appropriate, would address these gaps. Stronger and more comparable data would support more effective oversight, enable fairer assessment of company performance, and provide clearer signals for both companies, consumers, and Ofgem. Ultimately, this will help ensure that customers connected through IGT networks receive protections and service standards that reflect the expanding scale and importance of the sector.

4.6 We therefore propose to introduce proportionate reporting requirements across the following areas to enhance transparency, improve comparability with GDNs, and strengthen protections for current and future consumers. We'll set out each area that we propose new reporting requirement on below and the rationale.

4.7 **Market Data.** We propose IGTs report annually on core market data. This includes current reporting on customer numbers, with new connection numbers, disconnections and their underlying drivers, and the geographic distribution of IGT consumers across Local Distribution Zones (LDZs). We view this information as essential to our understanding of how the IGT customer base is evolving, particularly as wider energy system changes, such as electrification and a potential rise in disconnections, begin to impact the sector. Greater visibility of customer movement allows Ofgem to identify whether particular geographic areas or consumer groups may face emerging risks or reduced service resilience. Enhanced market data reporting will also support comparability with GDNs, ensure that any significant shifts in the composition of IGT customer bases can be identified early, along with providing baseline evidence needed to assess the ongoing effectiveness of the RPC framework.

4.8 **Vulnerability**. We propose IGTs provide clearer and more consistent reporting on vulnerable consumers through annual submissions of PSR registrations. At present, the absence of standardised vulnerability reporting makes it difficult to assess whether IGT networks are consistently identifying and supporting households who may be most affected by service interruptions or affordability pressures. Strengthening reporting in this area will allow us to monitor trends, ensure comparability with GDNs, and uphold consumer protection expectations across all gas networks.

4.9 **Shrinkage.** Shrinkage describes the energy that is consumed, lost or otherwise not accounted for in the operation of gas networks. It has implications for consumer bills and

GB's Net Zero goals as networks must procure additional gas to replace volumes lost on the network. Further, methane emissions negatively impact the environment. We propose IGTs report annually on shrinkage volumes, including leakage, own-use gas and theft. While shrinkage on IGT networks may be expected to be lower than on GDNs due to the generally newer asset base, consistent reporting is needed to validate this assumption and to identify any deviations over time.

4.10 **Interruptions (Planned, Unplanned and Major Incidents).** We propose to formalise reporting on service interruptions, including the frequency and duration of both planned and unplanned interruptions, the causes of those interruptions, and details of any major incidents. Interruptions are a key determinant of consumer experience and can serve as early indicators of asset health issues or operational weaknesses. At present, Ofgem lacks consistent and comparable interruption data across IGTs, which limits our ability to benchmark IGT performance against GDNs, or identify persistent service reliability concerns. A strengthened reporting framework will provide clearer visibility of how networks are performing, support a more robust assessment of QoS outcomes.

4.11 **Customer Complaints.** We propose that IGTs provide more structured reporting on customer complaints, including volumes by category, timeliness of resolution and rates of repeat. Complaints data is an important indicator of service quality and consumer satisfaction, and current inconsistencies in recording and definitions make it difficult to understand whether issues faced by consumers are being effectively resolved to the same standard as the GDNs. Improved reporting and consistent definitions across the IGT sector will allow Ofgem to compare performance across IGTs, understand whether particular complaint types are becoming more frequent, and identify whether systemic issues in customer service or network operations may be emerging.

4.12 **Guaranteed Standards of Performance and Simple and Complex Connected System Exit Point data.** We already require IGTs to submit annual GSOP and Simple/Complex CSEP data. We are not proposing any new obligations in this area. Instead, our intention is to consolidate these existing reporting requirements into the new annual IGT Regulatory Reporting Pack so that all relevant operational and consumer-focused performance data is provided in a single, consistent submission.

4.13 **Licence Condition D10 (Connections, Quotations and Land Enquiries).** We also propose to amalgamate reporting against Licence Condition D10 covering quotation timeliness, quotation accuracy, responses to land enquiries and completion of works within agreed timescales into this annual reporting.

4.14 If, taking into account responses to this consultation, we decide to implement new reporting requirements on IGTs, we will work with the licensees to develop the appropriate reporting framework. Any resulting changes would be implemented alongside any changes to the RPC. This will include whether these enhanced reporting requirements should be underpinned by a licence condition and/or a Data Assurance Guidance (DAG).

4.15 We aim to design our regulatory reporting framework to ensure we receive the information necessary for effective oversight while avoiding unnecessary administrative burden on network companies. We apply the same principle across our wider reporting framework. Through our Regulatory Instructions and Guidance (RIGs) and Regulatory Reporting Packs

(RRPs), we target reporting to the information we genuinely need to assess compliance and monitor performance, updating these tools regularly to ensure they remain focused and avoid collecting data that does not add regulatory value.

4.16 We recognise that applying these new obligations to all licensees carries a risk of being disproportionate, particularly for smaller operators. However, we consider it important that all parties meet a common minimum standard to ensure consistent consumer protection and support our ability to carry out effective oversight across the sector. A universal baseline also helps avoid regulatory gaps that could create uneven expectations or weaken accountability. We therefore welcome views on this approach, including whether stakeholders agree that a consistent set of obligations should apply to all licensees, and whether there are specific circumstances in which a modified or more targeted requirement might still be justified.

Legacy references in the licence condition

4.17 The RPC is given effect by Special Condition 1 of the IGT's gas transportation licence. References within Special Condition 1 to "legacy sites" reflect the structure of the IGT market at the time the licence condition was originally drafted. These provisions were designed to accommodate different categories of IGT sites that emerged under earlier regulatory and commercial frameworks, including arrangements that pre-date the current RPC (i.e., continued to be charged under legacy arrangements rather than RPC).

4.18 In practice, these legacy site types have now migrated to being charged under the RPC and are no longer operating under these legacy arrangements. As a result, some of the distinctions embedded in Special Condition 1 are no longer reflective of the current situation.

4.19 The continued inclusion of legacy references has the potential to add unnecessary complexity to the licence. We therefore consider there may be merit in simplifying the drafting of Special Condition 1 by removing or consolidating references to legacy sites, where these no longer serve a clear purpose. Any such changes would be intended to improve clarity, accessibility, and legal certainty, while maintaining the underlying policy intent and protections for consumers. We do not consider that this would have any material impact on consumers or the operation of RPC as we understand all sites to have now moved to the RPC arrangements (regardless of whether we make any changes to RPC because of this consultation).

Change of RPI to CPIH

4.20 Paragraph 2(4) of Special Condition 1 in the IGT RPC licence sets out how the ceiling and floor charge limits must be recalculated for every year after Year 1 of entering RPC. The intent is to maintain a real term price control for IGTs, ensuring charges move with inflation but also reflect expected efficiency improvements.

4.21 For previous price controls, including RIIO-1, we have used the Retail Prices Index (RPI) to index the networks' Regulatory Asset Value and to allow returns in real terms. RPI is also used by IGTs when calculating the annual change in their gas transportation changes under RPC.

4.22 Our RIIO-ED2 Sector Specific Methodology Decision noted however that RPI is no longer seen as a credible measure of inflation.[22] The Office for National Statistics (ONS) has now adopted the Consumer Price Index including owner occupiers' housing costs (CPIH) as the lead measure of inflation for household costs. ONS prefers CPIH as a measure of consumer prices because it is more comprehensive than CPI. CPIH includes owner occupiers' housing costs and council tax and therefore significant elements of household spend.

4.23 We also noted that other regulators are using RPI less heavily within their respective price control frameworks. In 2014, Ofcom concluded that CPI was preferable to RPI. In 2015, the Water Industry Commission for Scotland (WICS) started to use CPI. More recently, Ofwat determined in December 2017 that it would use CPIH. In March 2018, ORR proposed to use CPI instead of RPI.

4.24 As a result, we decided to implement an immediate switch from RPI to CPIH at the start of RIIO-ED2 for the purposes of calculating RAV indexation and allowed returns. RPC has however continued to use RPI in its calculations. We have not seen any evidence to suggest why this difference should remain and or why CPIH would not be appropriate for use in RPC.

4.25 Subject to our consideration of responses to this consultation, we are minded to modify the IGT's Special Condition 1 so that the annual update to IGT network charges uses CPIH instead of RPI.

Ongoing efficiency factor

4.26 Special Condition 1 of the IGTs' licences incorporates an annual real-terms efficiency requirement. The effect of this to reduce the permitted ceiling and floor each year by a fixed percentage; prevent charges rising fully in line with inflation; and ensure that RPC operates similarly to an RPI-X control, with X represented by Δr. The effect of this is that, even if RPI is positive, the efficiency factor forces a real-terms downward glide path on allowable charges.

4.27 The r-factor is designed to mimic the cost-reducing pressure that firms would face in a competitive market. By requiring IGTs to operate more efficiently each year, the RPC prevents prices drifting upward simply because of weak competitive constraints. Having this value set out in the licence means that the r-factor is a stable, known adjustment, meaning IGTs have clear visibility of their revenue path.

4.28 One IGT has raised concerns that this adjustment is now out of date, increasingly detached from actual outcomes, and contributes to the narrowing of the floor and ceiling corridor meaning the RPC ceiling binds more frequently. We understand that this issue would fall away if the ceiling and floor were removed entirely, but it would remain a live consideration under our preferred option which retains this design.

4.29 We think maintaining the r-factor has several advantages. It ensures prices do not rise at the full rate of inflation, helping to keep charges stable in real terms; reflects the

[22] riio_ed2_ssmd_annex_3_finance_0.pdf

expectation that network operators should continually become more efficient; and preserves the original intent of the licence formula, which requires annual adjustments using both inflation and an efficiency factor when calculating the ceiling and floor. However, a fixed efficiency requirement may not reflect the actual cost pressures faced by IGTs. It may also create a gradual downward pressure on charges that could become misaligned with underlying economic conditions if the r-factor is not periodically reviewed. We also note that the GDNs' price control has moved away from the RPI-X approach in place at the time RPC was implemented.

4.30 We welcome views on whether the efficiency adjustment continues to provide the right balance between consumer protection and financial sustainability, or whether alternative approaches to updating annual charge limits should be considered.

Updated RPC guidance document

4.31 Version 6 of the RPC Guidance was published in June 2017.[23] If we make changes to the RPC ceiling and floor and/or the other changes discussed here, we will consider whether an updated RPC guidance document would be beneficial in supporting the implementation of any changes to the floor and ceiling. This may also include guidance to support new reporting requirements like the Regulatory Instructions and Guidance issued to GDNs.

Questions	
Q5.	To what extent should proportionality (such as thresholds, phased adoption, sampling) be applied to this reporting that would maintain data quality while limiting burden on smaller IGTs?
Q6.	Do you have any views on our proposed 'other' changes to the IGT RPC?

[23] RPC Guidance version 6 | Ofgem RPC Guidance version 6 | Ofgem

5. Draft impact assessment

5.1 When we make decisions on energy policy and regulation within our powers, we must do so in a way that meets our principal objective. Broadly, these are decisions that best protect the interests of existing and future consumers of electricity and gas. Ofgem must also comply with several statutory duties when exercising its regulatory functions. We are conscious therefore that our decision can have wider impacts on businesses involved in the energy system and beyond. An impact assessment (IA) is a proportional analysis of the likely impact of a potential decision and close alternatives. We do not consider this to be a S5A Impact Assessment as the preferred option is a phased approach to achieve alignment with GDN charges, and creates a sustainable business as usual approach

5.2 We consider that the proposals in this consultation will be positive for IGTs, neutral to slightly positive for consumers, but may have a negative impact on gas shippers and suppliers. We have included our assessment of impacts of the proposed change in Chapter 3 of this consultation, including with some quantification. This section summarises these at a high level, and discusses other possible, more qualitative, impacts we have identified. We welcome views on this draft IA and any evidence that will help to further quantify the impact of the proposals.

Impact on consumers

5.3 Consumers pay for the use of electricity and gas networks through their energy bills. Gas network charges currently make up approximately 23% of the standard gas variable tariff (SVT).[24]

5.4 SVTs are limited by the energy price cap announced by Ofgem on a quarterly basis. The current methodology for calculating the energy price cap use GDN tariffs as an input regardless of whether a customer is on a GDN or IGT network. We do not therefore consider that a change in IGT network charges will impact the energy price cap and the impact on consumers will be neutral. This is also consistent with the overarching principle that consumers should not face higher costs than customers on a GDN network simply by being on an IGT network, established when the IGT RPC was introduced.

5.5 Consumers on fixed rate tariffs will be protected from any increased charges for the duration of their fixed rate. We also understand that GDN tariffs are used in the calculation of fixed rate tariffs and therefore the same principle as with the energy price cap above applies.

5.6 Maintaining the status quo increases the risk of IGTs being unable to finance their operations. We consider that this introduces longer-term risks to network resilience, disruption to future connections, and the potential for higher costs associated with network failure or special administration-type arrangements. These costs would ultimately flow through to energy bills and result in a negative outcome for consumers. Our proposed changes would therefore be positive for consumers overall, outweighing the low to neutral impact described above.

[24] Changes to energy price cap between 1 April and 30 June 2026 | Ofgem

Impact on consumers: public sector equality duty

5.7 As a public body, Ofgem is subject to the requirements of the Public Sector Equality Duty (PSED), as set out in section 149 of the Equality Act 2010. This places a duty upon the Authority to consider ways to eliminate discrimination, advance equality of opportunity and foster good relations between people who share protected characteristics, and those who do not. This is reflected in our equality, diversity and inclusion strategy[25], which states: "As the regulator of the energy sector, we recognise the real life impact of the work that we do and the decisions we make." In developing this policy, we have had due regard to the impact on vulnerable consumers.

5.8 We have not identified any distinct impacts on vulnerable consumers compared to the wider consumer population. Our proposals are intended to support the continued safe and reliable operation of IGT networks for all consumers. Enhanced reporting requirements will also improve Ofgem's visibility of how vulnerable consumers are being served by IGTs.

Impact on gas network licensees

5.9 We consider that these proposals will have a positive impact on IGTs. Allowing IGTs to charge at the same level as GDNs provides greater certainty that allowed revenues keep pace with sector-wide cost pressures recognised in RIIO price controls. These changes aim to keep the IGT sector financially resilient maintaining competition benefits in the new gas connection market.

5.10 Charging at GDN-equivalent levels would also strengthen long-term revenue predictability for IGTs, support access to capital in a context where gas networks face uncertainty about future utilisation and reduce the perceived regulatory risk premium applied by investors. We consider that this is consistent with our approach to GDNs in RIIO-3 maintaining the attractiveness of regulated networks to investors during the energy transition.

5.11 We consider that there will be no significant impact on GDNs. Unlike in electricity, where the upstream network operator charges down the downstream network who then charges an all-the way-tariff to the end user, GDNs and IGTs charge the gas shipper for the use of their network independent of one another. GDNs revenues will therefore be unaffected by any change to the IGT RPC.

Impact on gas shippers and suppliers

5.12 We consider that gas shippers will be negatively affected by the changes (we focus on shippers here as they have the direct interface with the IGT, but suppliers could be similarly affected). Shippers will face increased costs under our proposal as IGTs would increase their network charges to the GDN equivalent. We think the ability to pass these on to consumers will be limited given the points discussed earlier in this section. However, we note that to date shippers may have benefited from lower IGT network charges than would otherwise be the case. We have been unable to confirm whether this benefit has been passed on to consumers.

[25] Equality and diversity | Ofgem

Impact on Economic Growth

5.13 We have not identified any material impacts on economic growth from these proposals

Impact on security of supply

5.14 We have not identified any impact on security of supply of these proposals beyond the risks of network failure discussed earlier.

Impact on the environment and climate resilience

5.15 We have not identified any environmental impact of these proposals.

Next Steps

5.16 Following this closure of this consultation, we will assess stakeholders' responses and evidence to consider whether our proposed changes to the IGT RPC is correct.

5.17 We will continue to engage with stakeholders to further develop and refine our policy options ahead of our decision

Timeline

5.18 The current timeline of our review sits below:

Date	Stage Description
March 2026	Stage 1: Publish policy consultation on proposed changes
May 2026	Stage 2: Consultation closes
Summer 2026	Stage 3: Publish our policy decision and a statutory consultation on any licence modifications
Autumn 2026	Stage 4: Decision on licence changes
Late Autumn 2026	Stage 5: Implementation

5.19 We are keen to engage with stakeholders throughout the review process and remain open to consider further evidence that stakeholders may wish to discuss with us.

Appendix 1. Privacy policy

Personal data

The following explains your rights and gives you the information you are entitled to under the General Data Protection Regulation (GDPR).

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

1. The identity of the controller and contact details of our Data Protection Officer

The Gas and Electricity Markets Authority is the controller, (for ease of reference, "Ofgem"). The Data Protection Officer can be contacted at dpo@ofgem.gov.uk

2. Why we are collecting your personal data

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

3. Our legal basis for processing your personal data

As a public authority, the GDPR makes provision for Ofgem to process personal data as necessary for the effective performance of a task carried out in the public interest. i.e. a consultation.

4. With whom we will be sharing your personal data

Information: Include here all organisations outside Ofgem who will be given all or some of the data. There is no need to include organisations that will only receive anonymised data. If different organisations see different set of data then make this clear. Be a specific as possible.

5. For how long we will keep your personal data, or criteria used to determine the retention period.

Your personal data will be held for (be as clear as possible but allow room for changes to programmes or policy. It is acceptable to give a relative time e.g. 'six months after the project is closed')

6. Your rights

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right to:

- know how we use your personal data
- access your personal data
- have personal data corrected if it is inaccurate or incomplete
- ask us to delete personal data when we no longer need it
- ask us to restrict how we process your data
- get your data from us and re-use it across other services
- object to certain ways we use your data
- be safeguarded against risks where decisions based on your data are taken entirely automatically

- tell us if we can share your information with 3rd parties
- tell us your preferred frequency, content and format of our communications with you
- to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at https://ico.org.uk/, or telephone 0303 123 1113.

7. Your personal data will not be sent overseas (Note that this cannot be claimed if using Survey Monkey for the consultation as their servers are in the US. In that case use "the Data you provide directly will be stored by Survey Monkey on their servers in the United States. We have taken all necessary precautions to ensure that your rights in term of data protection will not be compromised by this".

8. Your personal data will not be used for any automated decision making.

9. Your personal data will be stored in a secure government IT system. (If using a third party system such as Survey Monkey to gather the data, you will need to state clearly at which point the data will be moved from there to our internal systems.)

10. More information: For more information on how Ofgem processes your data, click on the link to our "ofgem privacy promise".

General feedback

We believe that consultation is at the heart of good policy development. We are keen to receive your comments about this consultation. We would also like to get your answers to these questions:

- Do you have any comments about the quality of this document?
- Do you have any comments about its tone and content?
- Was it easy to read and understand? Or could it have been better written?
- Are its conclusions balanced?
- Did it make reasoned recommendations?
- Do you have any further comments?

Please send feedback to stakeholders@ofgem.gov.uk.

Appendix 2. Summary of consultation questions

Questions	
Q1.	Do you agree with our assessment that the current RPC floor and ceiling have resulted in a material constraining effect on IGT charges over time?
Q2.	Do you agree that a case for revising the RPC floor and/or ceiling has been sufficiently established?
Q3.	Do you agree with our proposed changes to the RPC floor and ceiling?
Q4.	Do you agree with our proposed reporting requirements for the IGT sector?
Q5.	To what extent should proportionality (such as thresholds, phased adoption, sampling) be applied to this reporting that would maintain data quality while limiting burden on smaller IGTs?
Q6.	Do you have any views on our proposed 'other' changes to the IGT RPC