



Making a positive difference
for energy consumers

Hilary Chapman
Head of Regulation
SGN

Email: gas.systems@ofgem.gov.uk

Date: 19 March 2026

Dear Hilary,

Proposed Modifications to SGN Connection Charging Methodology

You submitted a revised copy of your Connection Charging Methodology ("the CCM") and a Modification Report ("the report") to us¹ on 04 March 2026. In your report, you propose the following modifications to the CCM:

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

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

Background

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

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

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

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

Modifications to the CCM

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

You propose to amend Section 3.3, 3.9, 3.14, and Appendix A from the CCM, removing all references to the DLCA throughout the CCM, including definitions, cross references, figures and examples, to ensure internal consistency across the document.

You suggest that this modification would better achieve relevant objective (a), (b), (c), (d), (e) and (f).

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

You propose to remove Section 3.15 and Appendix A and F in full, together with all references to FPNES in the CCM including, references to the scheme and voucher throughout the methodology.

You suggest that this modification would better achieve relevant objective (a), (b), (c), (d), (e) and (f).

Modification (c): Administrative and housekeeping changes.

You propose several minor administrative changes, including updates to section numbering, references and appendix. These changes ensure the CCM remains accurate and follows the removal of DLCA and FPNES.

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

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

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

Our comments

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

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

You suggest that this modification would better achieve relevant objective (a), (b), (c), (d), (e) and (f). We do not consider the modification to better achieve or have an impact on relevant objectives (b) and (f). Objective (b) relates to facilitating competition in the supply of gas and preventing the restriction, distortion or prevention of competition in the transportation of gas conveyed through pipes. The removal of the DLCA reflects a change to the treatment of certain domestic connection charges and does not appear to affect competition in gas supply or transportation. Objective (f) relates specifically to compliance with the Regulation and any legally binding decisions of the European Commission or ACER. The licensee has not identified any such requirement that necessitates the removal of the DLCA from the methodology. Instead, this proposal reflects domestic licence changes and the removal of associated funding arrangements, which do not fall within the scope of this objective.

We do, however, agree the modification would better achieve relevant objectives (a), (c), (d) and (e). This modification ensures that your CCM properly takes into account developments in your transportation business, principally the removal of DLCA funding (d). The proposed modification also better facilitate objectives (c) and (a). This modification will align your CCM with the RIIO-3 GD FD, as well as any resulting amendments to your Transporter Licence; it will therefore facilitate the discharge by you of the obligations imposed on you under the Act and by your Licence (objective (a)). This modification ensures connection charges levied on consumers by you, reflect the removal of the DLCA; it therefore results in charges which, as far as reasonably practicable, reflect the costs incurred by you in running your transportation business (objective (c)). The removal of the DLCA from your CCM also ensures that connection applicants are not treated differently where there is no longer a regulatory basis for that difference, thereby preventing potential undue preference or discrimination (objective (e)).

⁵ [RIIO-3 SSMD GD Annex.pdf](#) [RIIO-3 SSMD GD Annex.pdf](#)

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

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

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

Again, you have suggested that this modification would better achieve relevant objectives (a), (b), (c), (d), (e) and (f). We do not consider the modification to better achieve or have an impact on relevant objectives (b) and (f) as these relevant objectives relate to competition and European Commission or ACER as stated above in modification a.

We do, however, agree the modification would better achieve relevant objective (a), (c), (d) and (e). This modification ensures that your CCM properly takes into account developments in your transportation business (objective (d)), principally the removal of the FPNES. In addition to this, we also consider this modification to better achieve relevant objective (c) and (a). This modification will align your CCM with the RIIO-3 GD FD, as well as any resulting amendments to your Transporter Licence; it will therefore facilitate the discharge by you of the obligations imposed on you under the Act and by your Licence (objective (a)). This modification ensures connection charges levied on consumers by you, do not incorrectly include the FPNES. It therefore results in charges which, as far as reasonably practicable, reflect the costs incurred by you in running your transportation business (objective (c)). Removing references to the FPNES from the CCM also ensures that connection charges do not continue to reflect an allowance that is no longer supported by the licence framework, thereby avoiding the risk of preferential treatment in connection charging (objective (e)).

Modification (c): Administrative and housekeeping changes

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

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

⁷ [RIIO-3 SSMD GD Annex.pdf](#) [RIIO-3 SSMD GD Annex.pdf](#)

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

Ofgem's Principal Objective and Statutory Duties

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

Decision Notice

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

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

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

Yours sincerely,

William Duff

Head of Gas & Hydrogen Systems Management and Operation

Signed on behalf of the Authority and authorised for that purpose