

Guidance

GT3 PCFM Guidance

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This document provides instructions and guidance to licensed network operators to enable them to complete the reporting requirements associated with updating various values and performance data in the Price Control Financial Model (PCFM) during the Annual Iteration Process (AIP).

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1. Introduction

- 1.1. The PCFM Guidance provides network operators (licensees) with information on how to fill out the PCFM Variable Values and any underlying templates that feed into them, which they are required to submit to Ofgem for each dry run of the AIP.
- 1.2. It also sets out the required information that should be submitted to Ofgem in the supporting narrative commentary.
- 1.3. This document should be read in conjunction with chapter 2 of the GT3 Price Control Financial Handbook, which contains a detailed description of the PCFM modification process and the AIP dry run process. Additionally, this document should be read in conjunction with Part B of Special Condition 1.1 (Interpretation and Definitions).

Legal Framework

- 1.4. The modification and governance process for the Price Control Financial Model (PCFM) and Price Control Financial Handbook (PCFH), collectively known as the Price Control Financial Instruments, is set out in Special Condition 8.1 (*Governance of the GT3 Price Control Financial Instruments*).
- 1.5. The modification and governance process for the PCFM Guidance is set out in Standard Special Condition A40 (Regulatory Instructions and Guidance).

Purpose

- 1.6. The purpose of this document is to provide guidance to enable the licensee to complete each dry run of an AIP that is submitted to Ofgem. As described in Chapter 2, the dry runs process entails amending and confirming values for each Regulatory Year over a number of months, from 30 September to May, on an iterative basis to account for updates to the PCFM Variable Values as they become known.
- 1.7. This document provides:
 - instructions and guidance on how to populate the PCFM Variable Values for submission for an AIP dry run;
 - guidance on the process and timeframe for reporting and submitting the required data; and,
 - any requirements that apply to supporting information, documentation and commentary to be submitted.

2. Annual Iteration Process

- 2.1 The Annual Iteration Process (AIP) is an annual cycle through which the licensee updates and recalibrates the GT3 PCFM to reflect actual outturn data from the prior Regulatory Year and any revisions to forecast activity. This process ensures that Allowed Revenue (AR_t) and System Operator Allowed Revenue (SOAR_t) are calculated using the most up-to-date and accurate information, supported by consistent underlying data and documentation.
- 2.2 For each Regulatory Year commencing on or after 1 April 2026, the licensee must submit to the Authority a first dry run of the GT3 PCFM with updated PCFM Variable Values (covering activity in the prior Regulatory Year and changes to forecast activity), which has been used to calculate AR_t and SOAR_t by 30 September.
- 2.3 The licensee must submit an updated copy of the accompanying GT3 Costs, Volumes and Revenue Pack (RRP) that was used to populate the PCFM Variable Values and any other relevant supporting files used to derive the PCFM Variable Values and supporting commentary, as set out in chapter 5 of this guidance, by 30 September and for any subsequent submissions of the GT3 PCFM, thereafter.
- 2.4 The PCFM Variable Values in the PCFM Input Summary sheets of the RRP should match the TO and SO specific input sheets of the GT3 PCFM, where applicable.

Interim submission process for AIP 2026/27

- 2.5 In general, this guidance is applicable to the reporting period ending 31 March 2027, with the first full dry run submission of the GT3 PCFM and accompanying interim RRP (see paragraphs 2.6 and 2.7 below) due on 30 September 2027.
- 2.6 For the reporting period ending 31 March 2026, an interim process will take place allowing the licensee to update the forecasts within the GT3 PCFM from those that were previously published. For this process, the licensee must submit to the Authority a first dry run of the GT3 PCFM with updated PCFM Variable Values containing updated forecast data by 30 September 2026.
- 2.7 The licensee must submit by 30 September accompanying supporting sheets from the interim RRP (see list below) and any other relevant supporting files used to derive the forecast PCFM Variable Values in the GT3 PCFM. As there is no requirement to submit a full RRP reporting pack, we do not expect a full accompanying RRP reporting pack submission, nor would we expect a full Data Assurance Governance (DAG) process to be undertaken.
- 2.8 For the PCFM submissions due for AIP 2026, the following sheets of the accompanying interim RRP must be populated at a minimum:
 - 4.1 TO PCFM Input Summary

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- 4.2 SO PCFM Input Summary
- 4.3 TO PCDs
- 4.4 SO PCDs
- 4.5 TO Re-openers
- 4.6 SO Re-openers
- 4.7 TO PT
- 4.8 SO PT
- 4.9 TO ODISO ODI
- 4.10 TO ORA
- 4.11 SO ORA
- 4.12 TO Tax Pools Totex alloc
- 4.13 SO Tax Pools Totex alloc
- 4.14 DRS
- 4.15 - TO Recovered Rev
- 4.16 - SO Recovered Rev

2.9 Where these sheets contain linking cells that link to other sheets within the interim RRP that are not being updated for the forecast submission due in 2026/27, these cells may be overwritten by the licensee with hard-coded forecast values.

2.10 Adjusted Net Debt (AND) and Tax Deductible Net Interest (TDNI) values should be sourced from the latest submitted GT3 RFPR, where available. In the absence of an RFPR during the first AIP, the licensee should use their best estimate available at the time when these values are forecasted.

Forecasting

2.11 Submitted versions of the GT3 PCFM may contain provisional values for PCFM Variable Values that are unknown at the time of submission. An example of a PCFM Variable Values which will not be known by 30 September is a re-opener term which is subject to an outstanding decision by the Authority.

2.12 Where a PCFM Variable Value is unknown at the time of submission, the licensee must calculate a provisional value using the approach specified within the GT3 PCFH and this guidance document, as applicable, or provide its best estimate with the information available at the time.

2.13 Where any PCFM Variable Value relies on a third-party publication that ceases to be published or no longer contains the value required, the value from the most recent publication that did contain the value, or an alternate input agreed to by the Authority must be used.

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2.14 Forecasts will not be as accurate as actual reported data and all forecasts will be made with a view to truing-up in a subsequent submission when actual data is available, however, the inclusion of forecasts will reduce the magnitude of any subsequent true-ups and will reduce revenue volatility.

2.15 All forecast values should be stated in 2023/24 prices unless otherwise stated.

Annual Inflation Updates

2.16 Ofgem will update and circulate the inflation data contained in the “Inflation” tab of the RRP by the end of April in each Regulatory Year, reflecting actual CPIH data until the end of March as well as data from the March OBR forecast. This inflation data must be used by the licensee in its RRP submission due on 31 July. This will ensure the latest inflation data are feeding into the RRP and the PCFM.

2.17 Ofgem will perform a further inflation update in July in each Regulatory Year, reflecting actual CPIH data until the end of June. This will be published in the version of the PCFM to be used for the next AIP. This inflation data must be used by the licensee in the RRP and the PCFM that it submits as part of its first AIP dry run by 30 September.

2.18 In accordance with the methodology prescribed in the GT3-PCFH, Ofgem will normally perform a final inflation update in early November following the publication of the OBR’s autumn forecast. This update reflects the latest forecast and outturn inflation up to 30 September. -This inflation data must be used by the licensee in the RRP and the PCFM in any subsequent dry runs.

Dry Runs process

2.19 The process of confirming and amending values will normally take place over a number of months from 30 September to May-and will be iterative to account for updates to the PCFM Variable Values as they become known.

2.20 There will be one or more dry runs of the GT3 PCFM between the licensee’s initial dry run submission on 30 September and the final run in April. The number of dry runs needed will depend on the number and timing of PCFM Variable Value updates required for the licensee in any particular Regulatory Year.

2.21 All of the documents submitted as part of a dry run of the AIP must be sent to the Authority either through email or a secure file-sharing application such as Huddle.

2.22 Ofgem will review the submitted GT3 PCFM and confirm whether this has been prepared in accordance with the PCFM Guidance. Where values have not been prepared in accordance with the PCFM Guidance, Ofgem will notify the licensee of any required amendments to such PCFM Variable Values, which the licensee must amend in a subsequent dry run. Where the Authority amends a PCFM Variable Value from an earlier licensee submission, either due to a licensee error or to reflect

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updates to a provisional value, it will notify the licensee and request a resubmission of the GT3 PCFM at the next available dry run.

2.23 The dry runs process will normally take place with the following timeline:

- **1 July:** The Authority will normally direct and publish on its website modifications resulting from engagement with the PCFM Working Group for that year into the applicable Price Control Financial Instruments.
- **31 July:** The authority will provide the inflation values within the “Inflation” sheet of the GT3 PCFM with outturn data to 30 June for the PCFM to be used in the next AIP.
- **30 September:** The licensee must submit the GT3 PCFM with updated PCFM Variable Values and accompanying supporting files to the Authority (dry-run 1). Ofgem will then review and respond to this dry run, either confirming or amending the PCFM Variable Values, as appropriate.
- **November:** By no later than 30 November, the Authority will provide an update to the Ofgem-provided PCFM Variable Values and the underlying models used to calculate them. These are the WACC allowance model, RPE model, and the blue inflation input values within the “Inflation” and “NGT TO” sheets of the GT3 PCFM. The WACC allowance model and the inflation indices within the PCFM will be updated using data available up to 31 October, while the RPE model will be updated using data available after 31 October and no later than 10 November. Following the provision of the Ofgem-determined variable values the licensee must include these values in its subsequent dry-run submissions.
- **1 March:** The licensee must submit a further GT3 PCFM with an updated PCFM Variable Values table to the Authority (dry-run 2) to reflect any further updates since the first dry run as well as the Ofgem-determined PCFM Variable Values provided in November. Ofgem will then review and respond to this dry run, either confirming or amending the PCFM Variable Values, as appropriate.
- **April – Notice of publication of the GT3 PCFM:** The licensee will have a further opportunity to provide an updated GT3 PCFM dry-run in April to reflect any updates, actual or forecast PCFM Variable Values, since the previous dry run. Ofgem will then review and respond to this dry run, either confirming or amending the PCFM Variable Values, as appropriate.

2.24 In accordance with paragraph 2.26 of the GT3 PCFH, the licensee must give the Authority:

- a copy of the GT3 PCFM which the licensee intends to publish on its website;
and

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- supporting files and a commentary describing any changes to the PCFM Variable Values and to the value of Allowed Revenue and SO Allowed Revenue since the last submission of the GT3 PCFM. See Chapter 5 of this document for more on the PCFM dry run commentary. In addition, the commentary must also contain the value of Allowed revenue (AR_t) and SO Allowed Revenue ($SOAR_t$) for the licensee for the Regulatory Year for which network charges will be set.

2.25 The licensee must provide the above to the Authority with no less than 14 days' notice in advance of the publication of the GT3 PCFM (expected around 31st May).

2.26 In accordance with paragraph 2.27 of the GT3 PCFH, the licensee will not be required to provide a further copy of the GT3 PCFM with another 14 day notice period where the Authority requires the licensee to make a change to the GT3 PCFM provided as part of this notification.

Publication of the GT3 PCFM

2.27 Following the minimum 14-day notice period, the licensee must publish on its website the version of the GT3 PCFM that it will use to set its TO and SO charges for the relevant Gas Year.

2.28 The requirements for the publication of the GT3 PCFM are set out in paragraphs 2.28 to 2.30 of the GT3 PCFH.

The final year of the GT3 Annual Iteration Process and other clarifications

2.29 The last Regulatory Year in which there will be an AIP for the GT3 PCFM is 2029/2030 for the purpose of determining the value of the terms AR_t and $SOAR_t$ for Regulatory Year 2030/31.

2.30 Where any PCFM Variable Values are revised for years earlier than Regulatory Year t , the effect of using those revised values in the AIP will, subject to a Time Value of Money Adjustment, be reflected in the calculation of the terms AR_t and $SOAR_t$ for Regulatory Year t and, for the avoidance of doubt, it will not have any retrospective effect on a previously published values of the terms AR_t and $SOAR_t$.

2.31 In Regulatory Year 2030/31 there will be a streamlined process to update a modified version of the GT3 PCFM in order to derive any adjustments that are required to the 2031/32 Allowed Revenue which will be determined by the GT4 PCFM.

3. The GT3 Price Control Financial Model

Background

- 3.1 The PCFM is used by licensees to calculate Allowed Revenue and SO Allowed Revenue in accordance with the licence conditions.
- 3.2 Throughout the price control, the AIP is used to update the variable values in the PCFM by updating inputs for actual expenditure and performance as well as updating forecasts for the latest view.
- 3.3 The purple calculation sheets in the model then capture this new information and calculate an updated TO and SO Allowed Revenue (ARt and SOARt) value.
- 3.4 The licensee must publish on its Website, a copy of the GT3 Price Control Financial Model containing the value of TO and SO Allowed Revenue that it publishes within the final notices for Transportation Charges.

Model structure

- 3.5 The table below sets out the structure and contents of the sheets in the GT3 PCFM:

Sheet	Contents
<i>Cover</i>	Content directory and model key
<i>Checks</i>	This sheet pulls together the results of the various check functions used throughout the model.
Transformation sheets: <i>VariantAllowances</i> <i>Transform_TO</i> <i>Transform_SO</i>	The <i>VariantAllowances</i> sheet picks up data from the <i>NGT_TO</i> and <i>NGT_SO</i> sheets and generates the variant allowances summary which feeds into the <i>Totex</i> sheet. The <i>Transform_TO</i> and <i>Transform_SO</i> sheets is the starting point for the calculations in the PCFM and categorises the raw inputs from the <i>NGT_TO</i> and <i>NGT_SO</i> sheets to allow the PCFM to calculate Allowed Revenue and SO Allowed Revenue.
Calculation sheets: <i>Totex</i> <i>TIM</i> <i>Depreciation</i> <i>NonCore</i> <i>Return&RAV</i> <i>TaxPools</i> <i>Finance</i> <i>Tax</i> <i>Calculations_SO</i> <i>ReturnAdj</i>	The calculation sheets are purple sheets and will be auto-populated by the model when the inputs are updated for each AIP. The calculations within the majority of these sheets follow the algebra set out in the special licence conditions for each licensee.

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<i>Revenue_TO</i> <i>Revenue_SO</i> <i>AllowedRevenue_TO</i> <i>AllowedRevenue_SO</i>	
Inflation: <i>Inflation</i>	The <i>Inflation</i> sheet shows the values for monthly outturn and forecast price indices relating to the Consumer Price Index including owner-occupiers' housing costs (CPIH) and Price index (PI), as described in chapter 2 of the GT3 PCFH.
Licensee-specific input sheets: NGT_TO NGT_SO	These are the sheets into which the relevant licensee must input its updated variable values (the blue shaded input cells) as part of an AIP. These are the values that this guidance document pertains to, unless otherwise specified.

Supporting files

3.6 As well as the GT3 PCFM itself, licensees must submit other files, the values from which will feed into the PCFM Variable Values. These include but are not limited to:

- a) Revenue Regulatory Reporting Pack (RRP)
- b) GT2 legacy PCFM and GT2 legacy RRP template (if revisions to the legacy adjustments are proposed)
- c) Any other relevant underlying files, e.g. a Tax Trigger Event model

3.7 Where data in supporting files which will feed into the PCFM Variable Values is unchanged from the previous PCFM dry run or final submission, the file is not required to be resubmitted, but a statement should be included in the commentary to this effect.

4. Instructions for completing the PCFM Variable Values

- 4.1 The PCFM Variable Values that can be revised during an AIP are set out in Table 3.1 and Table 3.2 in Chapter 3 of the PCFH.
- 4.2 For each variable value, table 3.1 and table 3.2 provides a description, cross-references to the relevant Special Condition(s) (where appropriate) and details of Associated Documents (where relevant).
- 4.3 The below table contains instructions for licensees on how to populate the PCFM Variable Values table for submission to the Authority at each dry run of an AIP.
- 4.4 Unless otherwise specified, all references relate to the Revenue input sheets of the GT3 RRP.

Variable Value category	Guidance for Completion
<p>Variant Totex Allowances – Price Control Deliverables (PCDs)</p> <p>TO:</p> <ul style="list-style-type: none"> • Baseline Network Risk Output • Cyber Resilience Term Price Control Deliverable • Cyber Resilience Use It or Lose It • Physical Security Price Control Deliverable • Decarbonisation Project Development Use It or Lose It • Bacton Terminal Site Redevelopment Price Control Deliverable • Compressor Emissions Price Control Deliverable • Funded Incremental Obligated Capacity Price Control Deliverable • Redundant Assets Price Control Deliverable • Biomethane Use It or Lose It Allowance • Compressor Breakdown Use It or Lose It Allowance • Nitrogen Sleeves Price Control Deliverable • West Import Resilience Project Price Control Deliverable 	<p>In general, the value of the Price Control Deliverable is an ex-ante allowance, subtracting any reductions that have been directed by the Authority.</p> <p>The ex-ante allowances are given in the appendix for the relevant Special Condition, and the reductions are provided by directions from the Authority.</p> <p>For these Variable Values, the actual adjustments directed by Ofgem should be input into the yellow adjustment cells in the “TO PCDs” and “SO PCDs” sheets of the GT3 RRP. This data will then be picked up in the allowance values on the TO and SO PCFM Input Summary sheets, which should be used to populate the licensee input sheets in the PCFM.</p> <p>Forecasting</p> <p>Where Ofgem has yet to issue any directions, but a licensee expects not to deliver an output identified in the relevant Special Condition appendices, it should use best endeavours to forecast the expected adjustment into the yellow adjustment cells in the “TO PCDs” and “SO PCDs” sheets of the GT3 RRP.</p> <p>Details of the assumptions made should be provided in the supplementary commentary.</p>

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<ul style="list-style-type: none"> • Compressor Acoustic Building Replacement Price Control Deliverable • Easement Reinstatement Price Control Deliverable • Removal And Remediation of Pipe Stabbings Price Control Deliverable • Actuator Replacement Price Control Deliverable • GT2/GT3 Crossover Adjustment <p>SO:</p> <ul style="list-style-type: none"> • Cyber Resilience Term Price Control Deliverable • Cyber Use It or Lose It Allowance • Funded Incremental Obligated Capacity Price Control Deliverable 	
<p><u>Variant Totex Allowances – Re-Openers</u></p> <p>TO:</p> <ul style="list-style-type: none"> • NARM Asset Health Re-Opener • Cyber Resilience Re-Opener • Resilience Activity Re-Opener • Physical Security Re-Opener • Small Decarbonisation Projects Re-Opener • Decarbonisation and Environmental Policy Re-Opener • Digitalisation Re-Opener • Coordinated Adjustment Mechanism Re-Opener • Funded Incremental Obligated Capacity Re-Opener • Asset Health Re-Opener • Pipeline Diversions Re-Opener • West Import Resilience Project Re-Opener • Gas Strategic Planning Re-Opener 	<p>A re-opener is a type of uncertainty mechanism, which allows the Authority to adjust a licensee’s allowances (either up or down) based on an application by the licensee, in response to changing circumstances during the price control period.</p> <p>The ex-ante allowances are given in the appendix for the relevant Special Condition, and the adjustments are provided by directions from the Authority.</p> <p>Within the application window</p> <p>For these Variable Values, where actual amounts are known at the time of the dry run, ie, where a decision has already been made on a re-opener application, the licensee must use the adjustment values as published by the Authority to update the relevant re-opener allowance and adjustment yellow input cells in the “TO Re-openers” and “SO Re-openers” sheets of the GT3 RRP. This data will then be picked up in the allowance values on the TO and SO PCFM Input Summary sheets, which should be used to populate the licensee input sheets in the PCFM.</p> <p>Where an application has been submitted but no decision has been made, the licensee must use the adjustment values as published in any minded-to position by the Authority. Where no minded-to position has been published, the licensee may use the same values included in its application or the actual costs incurred in the Regulatory Year, whichever is lower.</p>

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<ul style="list-style-type: none"> Office, Gas National Control Centre and Emergency Control Room Relocation Re-Opener Network Capability Re-Opener Bacton Enhanced Filtration Re-Opener Network Decarbonisation and Emissions Compliance Re-Opener <p>SO:</p> <ul style="list-style-type: none"> Cyber Resilience Re-Opener Decarbonisation and Environmental Policy Re-Opener Digitalisation Re-Opener Funded Incremental Obligated Capacity Re-Opener Office, Gas National Control Centre and Emergency Control Room Relocation Re-Opener Network Decarbonisation and Emissions Compliance Re-Opener 	<p>This is with a view to updating these values at a later dry run (or AIP) to correspond to a subsequent Ofgem decision.</p> <p>Outside of the application window</p> <p>The licensee may choose to update its re-opener allowance Variable Values using forecast data ahead of any relevant re-opener window, at any dry run. This should be done by updating the yellow allowance cells in the “4.5 TO Re-openers” and “4.6 SO Re-openers” sheets of the GT3 RRP.</p> <p>The values to use are the actual costs incurred or forecast costs expected to be incurred in each Regulatory Year and applied for through the relevant re-opener application submitted.</p>
<p>Actual Totex</p> <p>TO:</p> <p><i>Capitalisation rate 1:</i></p> <ul style="list-style-type: none"> Actual load related capex expenditure Actual asset replacement capex expenditure Actual other capex expenditure Actual non-load (opex) Actual indirects (opex) Actual non-operational capex <p><i>Capitalisation rate 2:</i></p> <ul style="list-style-type: none"> Actual load related capex expenditure Actual asset replacement capex expenditure Actual other capex expenditure Actual non-load (opex) Actual indirects (opex) 	<p>Totex is reported in one of two buckets, capitalisation rate 1 and capitalisation rate 2.</p> <p>Any expenditure relating to ex-ante, or baseline funded activities including PCDs is subject to capitalisation rate 1.</p> <p>Any expenditure relating to activities that have been funded under Uncertainty Mechanisms (as labelled in the PCFM) is subject to capitalisation rate 2.</p> <p>For Totex values, actual and forecast data for the reporting period in question are to be inputted into the yellow cells on the TO and SO “PCFM Input Summary” sheet of the GT3 RRP. These values should be used to populate the licensee input sheets in the PCFM.</p>

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<ul style="list-style-type: none"> Actual non-operational capex <p>SO:</p> <ul style="list-style-type: none"> Actual non-operational capex Actual controllable opex 	
<p>Pass-through costs – other</p> <p>TO:</p> <ul style="list-style-type: none"> Prescribed Rates NTS Transportation Owner Activity Pension Scheme Established Deficit repair Civil Nuclear Police Gas conveyed to Independent Systems PARCA Termination Value Hy-Net Distribution Networks’ and NTS’ Small Decarbonisation Projects Re-opener <p>SO:</p> <ul style="list-style-type: none"> Pension Scheme Established Deficit repair CDSF Costs, excluding costs incurred in relation to UK Link Gemini ISOP’s gas revenue provision term 	<p>Pass-through costs are specified costs that are predominantly outside of a licensee’s control and may be passed through to consumers. These costs are defined in SpC 6.1 (Transportation owner pass-through items) and SpC 6.3 (System operator pass-through items).</p> <p>For pass-through Variable Values, actual data for the reporting period in question should be input directly in the “4.7 - TO PT” and “4.8 - SO PT” which are linked to the TO and SO PCFM Input Summary sheets, which should be used to populate the licensee input sheets in the PCFM.</p> <p>Where required, further detailed guidance for updating these variable values is provided in the GT RIGs.</p> <p>For EDE and SOEDE, data should be input directly into the “4.7 - TO PT” and “4.8 - SO PT” sheets and should be based on the values directed by Ofgem following the most recent pensions reasonableness review.</p> <p>For Licence fees: where a rebate is given by Ofgem in relation to Licence fee costs for the previous regulatory year, that rebate should be netted off against the Licence Fee costs, when reported in the PCFM.</p> <p>E.g. if Ofgem provides a rebate to networks in the 26/27 year, relating to the 25/26 year, the licensee may either restate its Licence fee variable value for the regulatory year 25/26 or it may net off the rebate from the licence fee variable value for the 2026/27 regulatory year.</p> <p>For Distribution Networks’ and NTS’ Small Decarbonisation Projects Re-opener, National Gas Transmission’s (NGT) allowance portion may be re-phased in line with the re-forecast spend profile, up to the value of the allowance directed.</p> <p>Forecasting</p> <p>Forecasts for future regulatory periods should be input directly into the yellow input cells of the “TO PT” and “SO PT” which are linked to the TO and SO PCFM Input Summary sheets, which should be used to populate the licensee input sheets in the PCFM.</p>
<p>Incentive revenue (Output Delivery Incentives)</p>	<p>Incentive revenue or output delivery incentives (ODI) are used to reward or penalise licensees for their performance.</p> <p>For ODI values for TO, actual data for the reporting period in question should be input directly into the yellow input cells of the relevant GT3</p>

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<p>TO:</p> <ul style="list-style-type: none"> Customer satisfaction survey ODI 	<p>RRP sheet. This data is then picked up in the “4.10 TO ODI” which is linked “TO PCFM Input Summary” sheet, which should be used to populate the licensee input sheets in the PCFM.</p> <p>Further detailed guidance for updating the underlying inputs to the calculations in the ODI sheet will be provided in the GT3 RIGs.</p> <p>Forecasting</p> <p>Forecasts for future regulatory periods should be input directly into the yellow input cells of the relevant GT3 RRP sheet. This data is then picked up in the “4.10 TO ODI” which is linked “TO PCFM Input Summary” sheet, which should be used to populate the licensee input sheets in the PCFM.</p>
<p>Other Revenue allowances</p> <p>TO:</p> <ul style="list-style-type: none"> RIIO-3 Network Innovation Allowance Carry-over Network Innovation Allowance The Strategic Innovation Fund Pre-RIIO pension true up <p>SO:</p> <ul style="list-style-type: none"> Constraint management incentive revenue Revenue from accelerated release of incr. obl. entry capacity Exit capacity buyback cost which users are liable to reimburse Revenue for net residual balancing costs Total costs for procurement of operating margin services System costs Residual balancing incentive Quality of demand forecasting incentive Maintenance incentive Greenhouse gas emissions incentive Green house gas compressor emissions incentive Shrinkage Procurement incentive Pre-RIIO pension true-up 	<p>For ORA values, actual data for the reporting period in question should be input directly into the yellow input cells of the “TO ORA” and “SOORA” sheets and into the yellow input cells of the relevant GT3 RRP sheets. This data is then picked up in the SO and TO PCFM Input Summary sheets, which should be used to populate the licensee input sheets in the PCFM.</p> <p>With respect to <i>Total NIA Expenditure</i>, the licensee must input expenditure excluding any expenditure which is deemed to be ‘Unrecoverable NIA Expenditure’ as per the requirements of the RIIO-3 NIA Governance Document.</p> <p>With respect to <i>Strategic Innovation Fund</i>, the licensee must input the sum value of SIF Funding that is collected on behalf of all gas networks as per the SIF Governance Document.</p> <p>Further detailed guidance for updating the underlying inputs to the calculations in the “TO ORA” and “SOORA” sheets is provided in the GT3 RIGs.</p> <p>Forecasting</p> <p>Forecasts for future regulatory periods should be input directly into the yellow input cells of the “TO ORA” and “SOORA” sheets and into the yellow input cells of the relevant GT3 RRP sheets. This data is then picked up in the SO and TO PCFM Input Summary sheets, which should be used to populate the licensee input sheets in the PCFM.</p>

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<p>Disposals</p> <ul style="list-style-type: none"> Disposals net proceeds 	<p>For this variable value, actual data for the reporting period in question should be inputted directly into the PCFM summary sheet, which should be used to populate the licensee input sheets in the PCFM.</p>
<p>Other Legacy adjustments</p> <ul style="list-style-type: none"> Legacy K correction Legacy Adjustment term General pool capital allowance opening balance brought forward Special rate capital allowance opening balance brought forward Structures and buildings capital allowance opening balance brought forward Deferred revenue opening balance brought forward Structures and buildings pool additions (RIIO2) plus opening balance at start of RIIO2 Deferred revenue pool additions (RIIO2) plus opening balance at start of RIIO2 Tax loss brought forward 	<p>These legacy values will be determined by Ofgem following the formal close-out of the GT2 price control.</p> <p>In the interim period between the beginning of GT3 and the direction of these values and the establishment of a close-out methodology, the licensee must calculate its provisional legacy values in accordance with the close-out methodologies and processes set out in chapter 8 of the GT3 PCFH.</p> <p>Revisions to the Legacy GT2 PCFM must be accompanied with a description of the specific modifications along with a copy of the GT2 RRP and any relevant underlying calculation files used to populate the Legacy GT2 PCFM (see section 5 of this Guidance).</p>
<p>Directly remunerated services</p> <p>TO:</p> <ul style="list-style-type: none"> Directly remunerated services revenue Directly remunerated services cost 	<p>For NGT-TO DRS values, actual and forecast data for the reporting period in question should be input directly into the yellow input cells in the “4.14 DRS” sheet of the GT3 RRP, which should be used to populate the licensee input sheets in the PCFM.</p>
<p>Finance and Tax</p> <ul style="list-style-type: none"> iBoxx trailing average (iBTARt) Risk-free rate (RFRt) 	<p>These finance inputs are calculated by the Authority using the WACC allowance model and feed into the licensee’s allowed return on capital.</p> <p>These input values are calculated and populated by Ofgem during the AIP dry runs. This update usually takes place in November.</p> <p>These values are sourced from the updated WACC allowance model. The methodology for the derivation of iBTA and RFR is described in chapter 4 of the PCFH.</p>
<p>Real Price Effects (RPEs) annual growth rate</p>	<p>This value (%) is calculated by the Authority and is sourced directly from the updated RPE model in accordance with the methodology and process set out in chapter 5 of PCFH.</p>

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	A redacted version of this workbook will be shared with the licensee and published by Ofgem following each AIP, alongside the PCFM and WACC Allowance Model.
Adjusted net debt	<p>For this variable value, actual data for the reporting period in question should be input directly into the company specific input sheets of the PCFM. Licensees may also update forecast data for this variable value.</p> <p>For the submission in 2027 and onwards the figures used to update this variable value should be those reported as “Net Debt as per the Regulatory (GT3) definition” in the licensee’s submitted RFPR.</p> <p>See the GT3 RFPR Guidance for further detail on what this value comprises.</p>
Tax deductible net interest cost	<p>For this variable value, actual data for the reporting period in question should be input directly into the company specific input sheets of the PCFM. Licensees may also update forecast data for this variable value.</p> <p>For the submission in 2027 and onwards the figures used to update this variable value should be those reported as “Net Interest as per the Regulatory (GT3) definition” in the licensee’s submitted RFPR.</p> <p>See the GT3 RFPR Guidance for further detail on what this value comprises.</p>
<p>Tax liability allowance adjustments – driven by tax trigger events</p> <ul style="list-style-type: none"> • General Pool Opening Balance Adjustment • Special Pool Opening Balance Adjustment 	<p>These variable values will not be applicable unless the licensee has followed the notification process set out in chapter 6 of the PCFH.</p> <p>These values will be calculated according to the methodology that has been agreed to by Ofgem.</p> <p>Ofgem will provide confirmation of the final figures to be used for these variable values.</p>
Tax liability allowance adjustments	This value will not be applicable unless the Authority has directed a value following a tax review under Special Condition 2.2 and Special Condition 2.4.
<p>Tax rates</p> <ul style="list-style-type: none"> • Corporation Tax rate • General pool capital allowance rate • Special Rates capital allowance rate • Structures and buildings capital allowance rate • Deferred Revenue Expenditure capital allowance rate 	Corporation tax and capital allowance rates should be updated where a rate-change has been announced, as set out in chapter 6 of the PCFH.

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<ul style="list-style-type: none"> • General pool additions qualifying for full expensing allowance • Special rate pool additions qualifying for full expensing allowance 	
Tax pool allocation rates	<p>For these values, the rates used to allocate totex into the different tax pools can be updated using the calculations in the “TO Tax Pools Totex allocations” and “SO Tax Pools Totex allocations” sheets of the GT3 RRP.</p> <p>Allocation percentages of totex categories to tax pools should be input by the licensee in the yellow input rows based on their best estimate of the allocation rates at the time of updating the inputs. These rates will then be used to derive capital allowance allocation rates used by the PCFM.</p>
Base Revenue Forecasting Penalty Adjustment	This variable value is defined in Part G of Special Condition 2.1 (Transportation owner revenue restriction) and Part F of Special Condition 2.3 (System operator revenue restriction) of the GT3 Licence and should have the value of 1 unless the Authority directs otherwise.
Recovered Revenue Forecasting Penalty Adjustment	This variable value is defined in Part G of Special Condition 2.1 (Transportation owner revenue restriction) and Part F of Special Condition 2.3 (System operator revenue restriction) of the GT3 Licence and should have the value of 1 unless the Authority directs otherwise.
Recovered Revenue	This variable value is defined in SpC 2.1 and SpC 2.3, Part B of GT Licence and is automatically fed from “4.16 – TO Recovered Rev” and “4.17 – SO Recovered Rev”.
Base Revenue (as published)	This variable value is defined in Part G of Special Condition 2.1 (Transportation owner revenue restriction) and Part F of Special Condition 2.3 (System operator revenue restriction) of the GT3 Licence and should match the value of BR_t and $SOBR_t$ as at the time of publication of the PCFM by the licensee for tariff setting for Regulatory Year t in accordance with paragraph 2.1.6 of Special Condition 2.1 and paragraph 2.3.6 of Special Condition 2.3.
Target Revenue (as published)	This variable value is defined in Part G of Special Condition 2.1 (Transportation owner revenue restriction) and Part F of Special Condition 2.3 (System operator revenue restriction) of the GT3 Licence and should match the value of TR_t and $SOTR_t$ as at the time of publication of the PCFM by the licensee for tariff setting for Regulatory Year t in accordance with paragraph 2.1.6 of Special Condition 2.1 and paragraph 2.3.6 of Special Condition 2.3.
Outturn Index ($CPIH_m$)	This value is shown in the “Inflation” sheet of the PCFM and will be updated by the Authority in line with the methodology for the Price Index calculation set out in chapter 2 of the PCFH.

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	<p>Ofgem will update the CPIH outturn index prior to the first dry run of each AIP using data that is available as at 31 July.</p> <p>Following the update by Ofgem, licensee will update outturn data for CPIH until September of the current year (e.g. in November 2026, the outturn data values would only be entered to September 2026).</p>
Long term CPIH inflation forecast	<p>This value is shown in the NGT_TO sheet of the PCFM and will be updated by the Authority in line with the methodology set out in chapter 4 of PCFH. Ofgem will update this inflation forecast in November of each AIP using OBR data that is available as at 31 October.</p>
CPIH Forecast (financial year) - FYCPIHt	<p>This value will be updated by the Authority in line with the methodology for the Price Index calculation set out in chapter 2 of the PCFH.</p> <p>Ofgem will update the CPIH inflation forecast in November at each AIP using the most recent OBR outlook available during November.</p>
Totex variant allowances allocation percentages	<p>Where a licensee has provided a forecast for a variant allowance variable value, which does not have a corresponding hard-coded (“yellow-box”) allocation rate, it may update these variable values with its own forecast allocation rates.</p> <p>This will enable any forecast values for the affected variant allowances to feed through to Allowed Revenue.</p> <p>Where Ofgem directs these allocation rates, the directed values must be used.</p>
Revenue Profiling Adjustment	<p>The values were agreed with the licensees at the beginning of the GT3 price control. The values may be adjusted in the company specific input sheets of the PCFM by the licensee with agreement from Ofgem.</p>
Revenue Profiling Adjustment	

5. PCFM Dry Run Commentary

Background

5.1 The licensee's PCFM submission should be accompanied by supporting commentary as well as any applicable supporting models and underlying workings.

5.2 The main purpose of the PCFM dry run commentary is to provide a useful summary of the updates that have been made to the PCFM Variable Values and the impact that these have had on the licensee's ARt and SOARt for the Regulatory Year t, in narrative form.

Structure of the commentary

5.3 The outline structure of the commentary is as follows:

- Executive summary
- Updates to the PCFM Variable Values
- Impact on Allowed Revenue
- Statement on forecast data
- Data assurance statement
- Other relevant information

5.4 The sections outlined above should contain sufficient detail such that the Authority is able to re-perform the updates made and arrive at the same value for ARt and SOARt.

5.5 The licensee should provide detail on the following areas at a minimum:

- a summary of the updates the licensee has made to the PCFM Variable Values in the input sheet(s) since the last published version of the PCFM that was made available by Ofgem;
- a description and the basis for each individual PCFM Variable Value that has been updated;
- the source of the data used to update the PCFM Variable Values (ie, Ofgem directions, GT3 RRP, Legacy PCFM or forecast data);
- a description of the impact of the changes on ARt and SOARt and the key driver(s) of this impact;
- for any forecast data, the licensee should include a statement confirming that it has used its best estimate to ensure forecasts are reasonable in light of the information available at the time and that any significant changes to forecast values have suitable supporting statements;

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- A data assurance statement briefly setting out the assurance processes that the information in the commentary, the PCFM inputs sheet and any underlying input files (e.g., GT3 RRP) are subject to; and,
- any other information the licensee considers is appropriate to explain the PCFM submission.

Submission

5.6 A dry run commentary is required from all licensees. Where a licensee is part of a company that has more than one licence within a sector it may submit a single commentary to cover all licensees.

5.7 The dry run commentary should reconcile with and refer to the PCFM dry run submitted. Any narrative or tables in the commentary should be clearly disaggregated by licensee (by TO and SO). A full dry run commentary is required for the first dry run submission and for any subsequent dry runs, a narrative will only be required for any variable values, which have been amended from the prior dry run.

5.8 Where appropriate, the licensee may cross-reference to other information that supports its submission. Any cross-referencing should clearly direct the Authority to the source data used e.g. through hyperlinks.