

# Decision

## Modifications to the RIIO-3 Biomethane Connections UIOLI governance document

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This document explains our decision to modify the Biomethane Connections use it or lose it (UIOLI) governance document (Biomethane Connections UIOLI Governance Document), issued under Special Condition 3.21 (SpC 3.21) of the Gas Transporter Licence.<sup>1,2</sup>

We have decided to implement a targeted change to the governance document to allow Gas Distribution Networks (GDNs) to move UIOLI funding between their networks within the same corporate group. This amendment will help to ensure that the Biomethane Connections UIOLI mechanism operates efficiently and delivers greater value to consumers.

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<sup>1</sup> References to the “Authority”, “Ofgem”, “we”, “us” and “our” are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work.

<sup>2</sup> Capitalised terms not defined in this letter have the meanings given to them in the Biomethane Connections UIOLI Governance Document or Special Condition 3.21 of the Gas Transporter Licence.

## **Decision Modifications to the RIIO-3 Biomethane Connections UIOLI governance document**

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## Decision Modifications to the RIIO-3 Biomethane Connections UIOLI governance document

### 1. Introduction

#### Purpose of these modifications

- 1.1 Under the previous Biomethane Connections UIOLI Governance Document arrangements,<sup>3</sup> funding was allocated on a fixed regional network-by-network basis. However, in practice demand for biomethane connections is not evenly distributed across the network regions.
- 1.2 This means some network regions could have unused funding; while other regions could be unable to progress viable projects if funding has been used up. As a result, projects that could deliver consumer benefits may be delayed, or not go ahead at all.
- 1.3 Recent GDN data shows:
  - demand for biomethane connections varies across networks or regions within the same GDN group; and
  - some networks are forecast to underspend, while others face funding constraints.
- 1.4 This suggests that the current UIOLI governance framework does not fully reflect how biomethane opportunities arise in practice, which are driven by local project pipelines rather than network boundaries.

#### Decision-making stages

**Stage 1** Consultation open: 6 July 2026

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**Stage 2** Consultation closed: 20 July 2026

**Stage 3** Consultation decision and responses published: 10 August 2026

**Next Steps** A licence consultation on consequential modifications to SpC 3.21 of the Gas Transporter Licence, which has been published on 10 August 2026 and will be closed on 7 September 2026.

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<sup>3</sup> [Biomethane Connections UIOLI Governance Document \(v1.0\) | Ofgem](#)

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## 2. Our decision and consultation responses

### Decision

- 2.1 We have decided to amend the Biomethane Connections UIOLI Governance Document to allow Biomethane Connections UIOLI allowances to be reallocated between distribution networks operated within the same corporate group. This will provide greater flexibility in the use of allowances and help ensure funding can be used where demand for biomethane connections arises.
- 2.2 We have also amended the drafting of the modification to clarify that reallocations are permitted between networks where the licences are held within the same corporate group. This reflects the original policy intent of our consultation. We have decided not to make any additional modifications at this time.<sup>4</sup>
- 2.3 We have published the finalised Biomethane Connections UIOLI Governance Document and a notice for this decision on the same page on our website, alongside this decision document.

### Consultation responses

- 2.4 We received five responses to this consultation, from Cadent Gas Limited (Cadent), Northern Gas Networks Limited (NGN), National Gas Transmission plc (NGT), SGN Limited (SGN) and Wales & West Utilities Limited (WWU).
- 2.5 All respondents broadly supported the objective of enabling Biomethane Connections UIOLI funding to follow demand and increasing flexibility in the use of allowances to maximise viable biomethane connections. Cadent supported the proposed changes as drafted. NGN, SGN and WWU also supported the principle but raised concerns regarding implementation and fairness.
- 2.6 SGN proposed that the drafting should clarify that reallocations are permitted between networks where the licences are held within the same corporate group. We agree that this clarification better reflects the policy intent. We have therefore made amendments to the Governance Document to reflect this.
- 2.7 A theme across responses was concern that the proposed flexibility primarily benefits licence holders operating multiple network licences (or regions) and is therefore not available equally across the sector. Respondents suggested broader arrangements, including transfer of funding between licence holders or a national funding approach. While we recognise these arguments, the purpose of this consultation is to address a specific implementation issue identified following

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<sup>4</sup> Our consultation proposed the following modification: "A licensee that operates over more than one distribution network may reallocate the allowances between its networks." We have decided to amend this drafting to state: "A licensee that operates over more than one distribution network may reallocate the allowances between its networks for which the licences are held within the same corporate group."

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RIIO-3 commencement based on new data submitted to us, and to ensure that funding can be used more efficiently where biomethane demand materialises. A broader redesign of the mechanism represents a more fundamental policy change, which is beyond the scope of this consultation. We have also not received equivalent evidence supporting wider changes and therefore consider this targeted modification to be proportionate and appropriate.

- 2.8 Several respondents requested a clearer justification of the consumer benefits of reallocating allowances rather than allowing unused funding to be returned to consumers. This modification does not increase the total level of Biomethane Connections UIOLI funding established through our RIIO-3 Final Determinations. Rather, it responds to evidence received since our Final Determinations indicating that demand for biomethane connection funding may vary materially between network areas operated by the same licensee. Permitting allowances to be reallocated within a corporate group enables eligible projects to proceed where demand exists, without increasing overall funding. We therefore consider that reallocating unused allowances better supports the objectives for which the funding was originally provided than allowing a portion of the approved funding envelope to remain unused.
- 2.9 Some respondents sought clarification on the wider implications of the modification, including for charging arrangements, customer contributions, regulatory reporting and the treatment of reallocated allowances. The modification only allows unused Biomethane Connections UIOLI allowances to be reallocated between networks within the same corporate group. It does not change the overall level of funding, the maximum funding per connection, customer contribution arrangements, or other requirements in the Governance Document and Special Condition 3.21 of the Gas Transporter Licence. We also do not consider any further licence modifications necessary beyond those consequential changes required to replace the existing network-level funding allocations with a single allocation for the relevant GDN groups.
- 2.10 On 30 June 2026, SGN submitted a letter to Ofgem on behalf of all GDNs requesting clarification and amendments relating to various aspects of the Governance Document. Several respondents referenced these issues in their consultation responses. The matters raised concern about broader implementation and operational aspects of the Biomethane Connections UIOLI framework, rather than the targeted modifications consulted on in this document. We therefore do not consider it necessary to respond to those comments as part of this decision. Where appropriate, such matters will be considered through relevant RIIO-3 licence, associated documents, reporting and potential wider framework review processes.

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## Send us your feedback

We believe that consultation is at the heart of good policy development. We are keen to receive your comments about this decision. 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 your feedback to [stakeholders@ofgem.gov.uk](mailto:stakeholders@ofgem.gov.uk).