

Consultation name: RIIO-3 interim Regulatory Reporting Packs (RRP) and Price Control Financial Model (PCFM) guidance for electricity transmission, gas transmission and gas distribution

Issued by: Ofgem

Territorial extent: Great Britain

Response author: SGN

Deadline for responding: 23/06/2026



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RIIO-3 interim Regulatory Reporting Packs (RRP) and Price Control Financial Model (PCFM) guidance for electricity transmission, gas transmission and gas distribution

Thank you for the opportunity to respond to the above consultation.¹ SGN have responded where appropriate to both the regulatory reporting pack (RRP) and the price control financial model (PCFM) interim guidance for RIIO-GD3.

SGN is a world class engineering business that designs, builds, operates and maintains energy systems. Our gas network plays a vital role in ensuring energy security and resilience across the UK by efficiently and safely delivering natural and green gas through our three gas networks to six million homes and businesses across South London, the south of England and Scotland, reliably delivering around 18% of the nation's energy demand met by gas.

Interim GD3 Regulatory Reporting Pack

We acknowledge that this consultation is specifically for the interim documentation for both RRP and PCFM, however we would expect at this stage, with the full finalised pack to be consulted on imminently, that changes that have been discussed and agreed through the process of the working group should be included.

Our key concern is that as part of the GD3 RRP Development working group, SGN developed and sent a number of refinements of existing reporting templates to Ofgem (Chris Haworth) on 24 Feb 2026. This was also followed up within a Gitlab issues log. The proposal outlined several enhancements to the ODI, Volume Driver and Reopener templates, which were discussed and agreed with Ofgem during the development process. However, these changes do not appear to have been incorporated into the current interim consultation document.

These amendments are set out in the annex below and we have also attached the original proposed templates as part of our consultation response. We ask that Ofgem ensure the amended the templates as previously agreed are included in the final RRP to reflect revisions made in the GD3 licence and ensure a smooth process for GD3. If the recommendations are not to be adopted, could we request clarification through the Gitlab process.

¹ [RIIO-3 interim RRP and PCFM guidance for electricity transmission, gas transmission and gas distribution | Ofgem](#)

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Draft PCFM Guidance

Within the draft GD3 PCFM Guidance there is an update required regarding the “Actual Totex” definition underneath paragraph 4.4 (page 17). It was stated within the RIIO-3 Final Determinations – Finance Annex in paragraph 12.4 that “For GD all UMs other than UIOLI and re-openers are assigned to Bucket 1.”. This is not currently reflected in the PCFM guidance. As such, the wording within the PCFM guidance requires an update.

Current wording:

“Totex is reported in one of two buckets, capitalisation rate 1 and capitalisation rate 2.

Any expenditure relating to ex-ante, or baseline funded activities including PCDs is subject to capitalisation rate 1.

Any expenditure relating to activities that have been funded under Uncertainty Mechanisms (as labelled in the PCFM) is subject to capitalisation rate 2.

For Totex values, actual and forecast data for the reporting period in question are to be inputted into the yellow cells on the “3.01 Revenue - PCFM Interface” sheet of the GD3 RRP. These values should be used to populate the licensee input sheets in the PCFM”

Proposed wording:

“Totex is reported in one of two buckets, capitalisation rate 1 and capitalisation rate 2. The expenditure types align to each bucket as below:

<i>Baseline (ex-ante) funded activities</i>	<i>Cap Rate 1</i>
<i>Price Control Deliverables (PCDs)</i>	<i>Cap Rate 1</i>
<i>Volume Drivers (VD)</i>	<i>Cap Rate 1</i>
<i>Use It Or Lose It (UIOLI)</i>	<i>Cap Rate 2</i>
<i>Re-Openers</i>	<i>Cap Rate 2</i>

For Totex values, actual and forecast data for the reporting period in question are to be inputted into the yellow cells on the “3.01 Revenue - PCFM Interface” sheet of the GD3 RRP. These values should be used to populate the licensee input sheets in the PCFM.”

The above wording ensures alignment with the GD3 final determination position and improves clarity within the PCFM guidance.

Yours sincerely,

A handwritten signature in black ink, appearing to read "D Handley", is shown above the name David Handley.

David Handley

Director of Regulation and Strategy



Annex

1. Revenue-ODI Templates

Current Template Observation

While the GD3 Output Delivery Incentives (ODI) template has been updated to reflect the revised ODI titles and formulas, the overall structure appears largely unchanged from the GD2 template. The current design lacks a consistent layout and contains a significant number of unused cells, resulting in a spreadsheet that is larger and more complex than necessary. In addition, not all the input values clearly laid out.

Proposed Approach

As part of the GD3 RRP development working group, SGN provided proposed redesign the existing ODI template using a clear and consistent structure comprising the following sections:

- **Inputs Section:** -This section contains the actual performance data, linked directly to the relevant Regulatory Reporting Package (RRP) templates. It also includes fixed inputs, such as penalty and reward thresholds, sourced from the relevant licence schedules.
- **Scheme Parameters Section:** - This section draws directly from the licence tab and contains key parameters, including maximum reward / penalty, fixed values and the applicable ODI rates. By referencing these licence values directly, the model can calculate the appropriate maximum amounts without the need to open the licence condition. This will provide an enhancement over the GD2 approach, where access to these values was less transparent and more difficult to validate.
- **Outputs Section:** -This section is entirely formula-driven and automatically calculates the resulting ODI reward or penalty based on the relevant inputs and scheme parameters.
- **GD3 Total Value Section:** -A dedicated section has been included to provide a consolidated view of total ODI rewards or penalties across the GD3 period, enabling easier analysis and reporting.

In addition, screenshots of the relevant licence formulas will be retained alongside the template for reference purposes without affecting the overall layout or usability of the workbook.

2. Volume Driver Templates

Current Template Observation

Similar to the Revenue ODI template, the current Volume Driver template largely replicates the RIIO-GD2 Regulatory Reporting Package (RRP) format, with updates made only to reflect GD3 Volume Driver outputs. While the template captures the required outputs, its design does not support the calculation of allowance adjustments required for population within the 1.01a Allowances tab.

As a result, the allowance adjustment calculations are currently performed in a separate worksheet, creating additional complexity, increasing duplication, and reducing the transparency of the end-to-end calculation process.



We also note that the published interim pack has not been correctly colour coded. (i.e. specific cost values derived from the licence condition should not be input yellow cells.)

Proposed Approach

The proposal is to consolidate all Volume Driver-related information and calculations into a single, integrated template. This would include:

- Revised allowances based on updated workload forecasts.
- Ex-ante allowances as set out in the Final Determination.
- Volume Driver adjustment calculations required to determine updates to Final Determination allowances.

Under the current RIIO-GD2 RRP structure, a separate calculation section was added within the 1.01a Allowances tab to derive the required allowance adjustment values, as the Volume Driver template itself was unable to perform these calculations. The proposed redesign would remove the need for this separate calculation process by incorporating all adjustment calculations directly within the Volume Driver template.

3. Reopener Templates

Current Template Observation

We agree that the GD3 Reopener templates have been updated appropriately to reflect the GD3 price control period. However, the overall structure remains largely unchanged from the existing GD2 reporting format.

A broader issue identified during GD2 was the way Reopener information was reported across multiple templates. Specifically, Reopener information was split between two worksheets:

- "2.03 Revenue – Reopeners" – This tab captured Reopener allowances as defined within the licence conditions and, in some cases, included associated allowance adjustments.
- "1.01c Multi-Activity Variances (No RPEs)" – This tab contained similar Reopener allowance information but additionally included a breakdown of expenditure by activity.

This reporting structure created several challenges:

- Duplication of information – The same Reopener allowance data was effectively reported in two separate locations, with the primary distinction being the activity-level breakdown included in the 1.01c template.
- Inconsistent reporting – The Reopener activity breakdown within 1.01c was a free-entry section, leading to variations across GDNs in both the order of activities reported and the classification of expenditure between Opex, Capex, and Repex.
- Limited visibility of actual expenditure – Due to the absence of a dedicated reporting area for Reopener actuals, expenditure reported in the 3.01 Revenue Interface tab (Actual Cap Rate 2) was effectively assumed to be equal to the allowed Reopener values. This approach does not provide an accurate representation of actual expenditure incurred against Reopener allowances.



Proposed Redesign Approach

The proposed redesign would consolidate Reopener reporting within a single, structured template and introduce a clearer distinction between allowances, actual expenditure, and forecasts.

Key features of the proposed design include:

Integrated Allowance, Actual and Forecast Reporting

- The upper section of the template would present Reopener allowances alongside actual and forecast expenditure, enabling direct comparison and improving visibility of performance against allowances.
- Standardised Activity-Level Breakdown- Each Reopener category would contain a dedicated and structured activity breakdown (for example, Load-related, Non-Load, Opex and Repex activities), ensuring consistent reporting across all GDNs.
- Automated Summary Calculations- Formula-driven calculations would automatically aggregate Reopener allowances and expenditure by activity, reducing manual intervention and improving consistency.
- Enhanced Actual Expenditure Reporting - GDNs would enter total actual Reopener expenditure and allocate costs across the relevant activities using predefined percentage splits. The template would then automatically summarise expenditure by activity, providing a more transparent and auditable view of actual costs.

The proposed approach would:

Eliminate duplication of Reopener information across multiple templates.

- Improve consistency in reporting across GDNs.
- Provide a clear trail reopener allowances, actual expenditure and forecasts.
- Reduce the reliance on free-entry reporting fields in tabs such as 1.01c.
- Improve transparency of actual Reopener expenditure and activity-level allocations.
- Enhance validation and review processes through a more structured and standardised reporting framework.

4. Pass-Through Template

As part of the GD2 reporting, Ofgem implemented a cross-template cost reconciliation section to verify that costs reported within the Opex Matrix Passthrough element were consistent with the corresponding Pass-Through cost values, after applying the appropriate price-base conversions. This control provided an important validation check and helped ensure consistency across related reporting templates.

We note that this feature appears to have been removed from the interim reporting pack. We suggest Ofgem consider reinstating these cross-template validation checks to support data quality and improve consistency.