

Decision

Peterborough Compressor Emissions – Re-opener Application

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We are publishing our decision on the Compressor Emissions Re-opener application submitted by National Gas Transmission (NGT) in June 2025. This decision has been informed by the responses we received following the publication of our consultation on 7 April 2026. Alongside this document, we are publishing the direction to modify the value of the relevant licence term.

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Executive summary

In [RIIO-T2 Final Determinations](#), we decided to fund NGT to develop a Final Options Selection Report and Re-opener submission to achieve compliance with the Medium Combustion Plant Directive (MCPD) at Peterborough Compressor Station. The MCPD requires gas turbines above a specified size to meet stricter limits on nitrogen oxide (NOx) emissions by 2030.

Given uncertainty over both the preferred solution and the efficient level of funding required to address future MCPD non-compliance at several sites across Great Britain, including at Peterborough, we established a Re-opener mechanism through which NGT was required to develop and assess options before seeking additional funding.

In June 2025, NGT submitted its Re-opener application to fund the replacement of Unit A at Peterborough Compressor Station. Following our assessment of NGT's application, we [consulted](#) on our minded to position on 7 April 2026 to fund £99.6m of the proposed costs, which is £16.3m, 14% less, than NGT requested.

Following the consultation period and considering the responses we have received, we have decided to increase the allowance by £2.2m and provide £101.8m of funding. This is £14.1m (12%) less than the original funding requested by NGT and reflects our assessment of efficient project costs while supporting delivery ahead of the 2030 compliance deadline.

In reaching this decision, we carefully considered issues raised during the consultation regarding project need, alternative options and project costs. We have reduced elements of NGT's funding request where we considered costs had not been sufficiently justified or were already funded through existing allowances, helping to protect consumers from paying more than is necessary to deliver compliance.

1. Introduction

This chapter gives an overview of the Compressor Emissions Re-opener and Price Control Deliverable mechanism and our assessment process to date.

Overview of the Compressor emissions Re-Opener

- 1.1 The National Transmission System (NTS), Great Britain's high-pressure gas transmission network, is owned and operated by NGT and is regulated under our RIIO (Revenue = Incentives + Innovation + Outputs) price control framework.
- 1.2 As part of the [RIIO-GT2 Final Determinations](#), we provided funding for NGT to develop and assess options to address emissions compliance issues at Peterborough Compressor Station. This followed the introduction of the MCPD, which requires gas turbines with a net thermal input between 1 MW and 50 MW to achieve a nitrogen oxide (NOx) emission limit of 150 mg/m³ by 1 January 2030.
- 1.3 At the time, there was significant uncertainty regarding both the most appropriate compliance solution and the efficient level of expenditure required to deliver it. As a result, we deferred any substantive funding decision and established a two-stage assessment compressor emission Re-opener process. The Re-opener was introduced in the RIIO-GT2 licence and subsequently rolled forward into RIIO-GT3.

Peterborough Compressor Station: Context

- 1.4 Peterborough Compressor Station plays an important role in supporting gas flows across the NTS. One of the site's three existing compressor units, Unit A, faced a future MCPD compliance challenge of exceeding the applicable NOx emissions limit from 2030.
- 1.5 In January 2023, NGT submitted its [Final Option Selection Report](#). This identified replacement of the existing Avon compressor unit with a new MCPD-compliant gas turbine-driven compressor as the Final Preferred Option.
- 1.6 In November 2023, we [approved this solution as the Final Preferred Option](#) and confirmed that it would form the basis of any subsequent Re-opener application that NGT would bring forward for funding.

NGT's Peterborough Compressor Emissions Re-opener Application

- 1.7 In June 2025, NGT submitted a Compressor Emissions Re-opener application in accordance with RIIO-GT2 Special Condition 3.11 seeking additional funding and associated licence changes to deliver the approved project.

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1.8 Specifically, NGT requested that the Authority:

- Increase the value of the Compressor Emissions Price Control Deliverable allowance (CEP_t) by £115.9m (2018-19 prices) to fund compressor replacement; and
- Modify the relevant outputs, delivery dates and allowances associated with the Price Control Deliverable.

Our minded-to position to fund compressor replacement work

1.9 Following assessment of the evidence submitted by NGT, we published a minded-to decision for consultation on 7 April 2026 to allow funding of £99.6m (2018-19 prices), which was £16.3m lower than NGT's Re-opener application.

1.10 The consultation closed on 6 May 2026. We received two confidential stakeholder responses and has also considered updated emissions data submitted during the consultation period.

1.11 In reaching its final decision, we have carefully considered the evidence provided in the application, stakeholder responses, and latest available emissions data.

1.12 The following chapters set out our assessment and conclusions.

General Feedback

1.13 We believe that consultation is at the heart of good policy development. We welcome any comments about this decision. We would also like to get your answers to these questions:

- i. Do you have any comments about the overall quality of this document?
- ii. Do you have any comments about its tone and content?
- iii. Was it easy to read and understand or could it have been better written?
- iv. Were its conclusions balanced?
- v. Did it make reasoned recommendations for improvement?
- vi. Any further comments?

1.14 Please send any general feedback comments to stakeholders@ofgem.gov.uk.

2. Summary of responses and our view

Section summary

In this chapter, we set out how we have considered the responses received during the consultation phase, as well as any other information reviewed, in reaching our decision.

- 2.1 We received two confidential responses to our consultation: one from NGT and one from a member of the public. The following paragraphs set out the issues raised and a summary of the decisions we have taken in response to them. It also sets out other relevant matters we considered in our decision-making.

Approval of funding for the Unit A replacement

- 2.2 We have decided to confirm our 2023 decision and approve NGT's preferred option to replace Unit A at Peterborough Compressor Station with a new gas turbine.
- 2.3 In reaching this decision, we have reviewed the historical NO_x emissions data for Unit A as part of the holistic review of historical emissions data for all compressor units due to be replaced under MCPD. While this information has raised questions about the strength of the needs case and the potential merits of alternative solutions. We have concluded that revisiting the project needs case, given it is at an advanced stage of construction, is unlikely to deliver better outcomes for consumers.
- 2.4 The findings from our review of historical NO_x emissions data will inform our assessment of future MCPD Re-opener applications. These projects are at an earlier stage of development and NGT might therefore consider, taking into account the historical evidence gathered to date and the feedback received from the environmental agencies, whether the current proposals for them remain appropriate.
- 2.5 Additionally, a member of the public who responded to our consultation argued that insufficient consideration had been given to replacing the existing gas turbine-driven compressor unit with an electric drive unit, which they considered could deliver significant reductions in greenhouse gas emissions. We can confirm that an electric drive compressor unit was considered by NGT in the initial stages of options assessment. The option was not shortlisted due to high development costs and schedule risk resulting from the need for a high voltage connection to the electricity network. The Front-End Engineering Design concluded that the environmental benefits of an electric drive compressor unit were outweighed by these issues.

Original Equipment Manufacturer Costs

- 2.6 We remain satisfied that the Original Equipment Manufacturer (OEM) costs included within the application have been procured in an efficient and economic manner. We have therefore not made any further adjustment to our cost assessment.
- 2.7 The Compressor Acoustic Building (CAB) was an area we asked for further evidence on to ensure efficient costs. NGT provided further evidence on the specification, procurement and cost of delivery. It explained that the CAB is a bespoke structure required to comply with planning, acoustic and visual requirements and to remain consistent with the design of other compressor units on site. We are satisfied with the evidence provided.
- 2.8 We also reviewed NGT's procurement and tendering process and are satisfied that appropriate commercial challenge was undertaken. NGT demonstrated that the selected supplier was able to meet the project's technical, planning and environmental requirements, and that the replacement unit must be specified to the same operational standards as the existing fleet to maintain network resilience and compliance obligations.
- 2.9 We have also compared the OEM costs for this project with a similar project at Wormington Compressor Station and consider that the OEM costs are broadly aligned.

Indirect Company Costs

- 2.10 We have decided to award £[redacted]m of allowance for Indirect company costs. This reflects further evidence provided by NGT on how these costs were derived. However, the final allowance remains £2.2m below NGT's Re-opener request because we continue to apply adjustments relating to NGT Overheads.
- 2.11 NGT argued that our consultation position did not fully reflect how NGT Overhead costs had been derived. NGT explained that these costs had been estimated using a project allocation methodology, rather than being derived from historical cost ratios or specific categories of project expenditure.¹

¹ NGT explained that their cost estimates were not derived by reference to historical ratios or third party expenditure, but were instead calculated using a gross-value-based allocation methodology whereby portfolio-level functions (eg network design and engineering, senior project oversight and planning etc.) are allocated in proportion to total project exposure.

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- 2.12 Following further engagement with NGT, we gained a better understanding of this methodology, that has enabled us to increase the allowance relative to our minded-to position. However, we continue to apply our established RIIO approaches to Business Support Costs and Closely Associated Indirect Costs and as a result, the final allowance remains £2.2m below NGT's request.

NGT overhead costs - Closely Associated Indirect (CAI) costs

- 2.13 We have decided to reduce allowances by 19% (£[redacted]m) to £[redacted]m. This is in line with our approach at [RIIO-GT3 Final Determinations](#) (Table 14) on TO Closely Associated Indirect costs a component of baseline opex allowances. At RIIO-GT3 Final Determinations, our trend analysis resulted in a modelled TO CAI allowance that was 19% below NGT's submitted TO CAI costs.
- 2.14 NGT argued that it was not appropriate to apply this reduction to capitalised CAI costs because a similar reduction was not applied when setting baseline allowances for capital projects in RIIO-GT3 Final Determinations.
- 2.15 We do not agree. Capitalised CAI and baseline CAI costs are similar in nature. Neither category can be attributed directly to individual projects, and they differ primarily in how they are allocated and recovered for accounting purposes. Therefore, we consider it appropriate to apply a consistent funding treatment and apply the same 19% adjustment to the capitalised CAI costs recovered through this Re-opener.
- 2.16 NGT has confirmed that, whilst the Peterborough NGT overhead costs were developed separately from its RIIO-GT3 Business Plan, they are derived using the same underlying overhead methodology reflected in its RIIO-GT3 Business Plan Data Tables (BPDTs).
- 2.17 In RIIO-GT3 Final Determinations, we recognised that CAI costs for Re-openers would continue to be assessed on a case-by-case basis. We have followed this approach in this decision and will continue to assess future Re-opener requests in the same manner. However, to avoid future reductions to capitalised CAI submitted through Re-openers, we encourage NGT to review its approach to allocating CAI costs to projects, taking account of the concerns identified through our RIIO-GT3 Final Determinations assessment. We would welcome further engagement on the development of a more robust and transparent methodology for future funding requests.

NGT overhead costs – Business Support Costs

- 2.18 We have decided to remove allowances (£[redacted]m) in full. NGT argued that these costs should not be excluded from Re-opener allowances and that doing so would mean these activities were underfunded.

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2.19 We do not accept this argument. The approach we have adopted is in line with the policy as set out in both RIIO-GT2 and RIIO-GT3 Final Determinations². We consider that NGT has already received allowances for the Business Support Costs to deliver its entire programme of work for RIIO-GT3 price control. This includes the Re-opener requests it had planned to complete.

Other options we have considered in determining the allowances for the Peterborough project Overhead costs

2.20 As a cross-check, we considered two alternative approaches based on NGT's overhead allocation methodologies. After removing Business Support Costs, both approaches produced allowances broadly consistent with our final allowance. We have not adopted these approaches because they rely on high-level uplift assumptions and do not align as closely with NGT's underlying cost book or the RIIO-GT3 assessment framework.³

Risk and Contingency

2.21 We have decided to amend our consultation position and to provide a higher allowance of £[redacted]m for the Risk and Contingency costs, which equals 10% of total project costs.

2.22 NGT disagreed with our RIIO-GT2 policy that Risk and Contingency should be capped at 10% (paragraph 3.211 in RIIO-GT2 Final Determinations). They argued allowances should be derived from project-specific risks and uncertainty rather than being constrained by a fixed percentage cap.

2.23 NGT also disagreed with our bottom-up assessment as set out in our minded to decision. Arguing that our assessment understated the level of uncertainty and residual delivery risk remaining within the project. NGT provided revised Risk and Contingency costs of £[redacted]m, compared to £[redacted]m in its original Re-opener application.

2.24 While we recognise that uncertainty and delivery risks remain, the project has now reached an advanced stage of development with considerably greater certainty over costs, scope and delivery. Taking account of the maturity of the project, the

² In RIIO-GT2 Final Determinations it was clear that the Opex Escalator related to CAI costs (paragraph 4.34, there is no reference to BSC. In RIIO-GT3 Final Determinations, paragraph 5.123, we stated that additional CAI allowances would be part of the project assessment, no similar statement was made in relation to BSC.

³ Applying NGT's Re-opener uplift methodology, after removing Business Support Costs, would result in an allowance of approximately £[redacted]m. Applying NGT's RIIO-T3 Business Plan uplift methodology, after removing Business Support Costs and reflecting our treatment of Closely Associated Indirect Costs, would result in an allowance of approximately £[redacted]m.

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remaining delivery risks and the evidence provided by NGT, we consider a 10% allowance in line with our RIIO-GT2 policy provides an appropriate balance between funding efficient project delivery and protecting consumers.

Assessment of the delivery of relevant RIIO-GT2 Price Control Deliverables

2.25 We have decided to retain our consultation position to not modify the value of the $CEPRTA_t$ term. This is because we are satisfied that NGT has delivered this RIIO-GT2 output. NGT agreed with our assessment.

3. Our Funding Decision

3.1 Based on our assessment of the evidence presented we have decided to provide additional funding of £101.8m as set out in Table 1 below.

Table 1: Peterborough Compressor Emissions Funding (Redacted)

£m 2018-19 prices	RIIO-T2 2021-25	RIIO-T2 2025-26	RIIO-T3 2026-27	RIIO-T3 2027-28	RIIO-T3 2028-29	RIIO-T3 2029-30	Total
Main Works Contractor (MWC)							
Original Equipment Manufacturer							
Specialist Contractors							
Direct Company Costs							
Indirect Company Costs							
Risk and Contingency							
Total Estimate at Completion	10.393	24.404	37.082	24.138	13.562	1.011	110.590
Baseline Allowance (already funded)	8.781						8.781
Final Allowance	1.612	24.404	37.082	24.138	13.562	1.011	101.809

4. Implementing our decision

4.1 We have assessed the evidence presented in the:

- Re-opener application under Special Condition 3.11 (Compressor Emissions Re-opener and Price Control Deliverable) of the RIIO-GT2 Licence, submitted by NGT in June 2025;
- The two consultation responses received to our consultation; and
- Additional emissions performance data we have received since the publication of our consultation.

4.2 Based on this assessment we have decided to modify by direction:

- The value of the relevant licence term ($CEPO_t$) in Appendix 1 of Special Condition 3.10 as set out in Table 2 below. This increases the revenue NGT may recover through the price control mechanism.
- The outputs, delivery dates and allowances in Appendix 2 of Special Condition 3.10 as set out in Table 3 below. Appendix 2 specifies the parameters of the Price Control Deliverable that NGT is required to deliver.

4.3 Although the Re-opener application was submitted under Special Condition 3.11 of the RIIO-GT2 licence which no longer generally applies from 1 April 2026, the Authority may, under Special Condition 3.10.8 of the RIIO-T3 Licence, in respect of applications validly submitted under Special Condition 3.11, modify Appendices 1 and 2 of Special Condition 3.10.

4.4 As the funding decision set out in Table 1 above covers two price control periods (RIIO-GT2 and RIIO-GT3), prior to determining the value of the relevant licence term ($CEPO_t$), the following adjustments are required:

- A reduction in the value of RIIO-GT2 allowances to take account of the Opex Escalator (Special Condition 3.18 of the RIIO-GT2 Licence) which calculates a value for Indirect Company costs by uplifting allowances by 23.1% within the Price Control Financial Model.
- An increase in the value of RIIO-GT3 allowances of 24.5% to convert from 2018-19 into 2023-24 prices.
- Allowances in the licence are restricted to two decimal places.

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Table 2: Modification by Direction to Licence Term (CEPO_t)

£m	RIIO-T2 2021-25	RIIO-T2 2025-26	RIIO-T3 2026-27	RIIO-T3 2027-28	RIIO-T3 2028-29	RIIO-T3 2029-30
Funding Decision (2018-19 prices)	1.612	24.404	37.082	24.138	13.562	1.011
CEPO_t Direct Costs only (2018-19 prices)	1.31	19.82				
CEPO_t (2023-24 prices)			46.18	30.06	16.89	1.26

Table 3: Modification of outputs, delivery dates and allowances

Output	Delivery Date	RIIO-T2 2021-25	RIIO-T2 2025-26	RIIO-T3 2026-27	RIIO-T3 2027-28	RIIO-T3 2028-29	RIIO-T3 2029-30
Installation at Peterborough Compressor Station on Plinth F: • A single 15.3 Mw Solar Titan T130 gas turbine driven compressor unit, acoustic enclosure and hard-wired parallel protection system; • In receipt of an Operational Acceptance Certificate; and • Compliant with the Medium Combustion Plant Directive.	31 December 2029	1.31	19.82	46.18	30.06	16.89	1.26

4.5 The direction to implement our decision has been published alongside this document.