

# Decision

## Modifications to Special Condition 3.21 of the Gas Transporter Licence – Biomethane Distributed Entry Reinforcement (BDERt)

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This document explains our decision to modify Special Condition 3.21 (SpC 3.21) of the Gas Distribution Networks' (GDNs) Gas Transporter Licence – Biomethane Distributed Entry Reinforcement (BDERt).<sup>1,2</sup>

This is a consequential and targeted change required to SpC 3.21, following our decision to allow GDNs to allocate Biomethane Connections Use It Or Lose It (UIOLI) funding between their networks within the same corporate group.

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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 document have the meanings given to them in the Biomethane Connections UIOLI Governance Document or Special Condition 3.21 of the Gas Transporter Licence held by the GDNs.

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## Decision Modifications to Special Condition 3.21 of the Gas Transporter Licence – Biomethane Distributed Entry Reinforcement (BDERt)

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## **Decision Modifications to Special Condition 3.21 of the Gas Transporter Licence – Biomethane Distributed Entry Reinforcement (BDERT)**

### **1. Introduction**

#### **Purpose of these modifications**

- 1.1 In our decision to modify the Biomethane Connections UIOLI Governance Document published in August 2026, we concluded that corporate groups operating more than one GDN should be permitted to allocate UIOLI allowances across their networks.
- 1.2 Accordingly, the previous £20 million UIOLI allowance per GDN over the whole of the RIIO-3 period is totalised per GDN corporate group and divided into annual UIOLI allowances.
- 1.3 As a consequence of these changes, it is necessary to modify the Biomethane Connections UIOLI allowance table in Appendix 1 of SpC 3.21 in the GDNs' Gas Transporter licences. The revised table shows the annual UIOLI allowance for each corporate group over the RIIO-3 period. The total RIIO-3 Biomethane Connections UIOLI allowance remains unchanged.

#### **Decision-making stages**

**Stage 1** Statutory Consultation opened: 10 August 2026

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**Stage 2** Statutory Consultation closed: 7 September 2026

**Stage 3** Statutory Consultation decision and responses published: 19 October 2026

**Next Step:** The decision will take effect in GDNs' licences on and from 15 December 2026

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## **2. Our decision and Statutory Consultation responses**

### **Decision**

- 2.1 We have decided to implement the modifications to SpC 3.21 as consulted on, with an administrative update to the reference of SGN in the SpC 3.21 allowance table as detailed in paragraph 2.9.
- 2.2 These modifications implement consequential and targeted modifications to the GDNs' Gas Transporter Licence and align the licence funding profiles with the policy intent in the updated UIOLI Governance Document<sup>3</sup>. Specifically, we have replaced the existing network-level Biomethane Connections UIOLI funding profiles for Cadent's East of England, London, North West and West Midlands networks with a single Cadent allowance and replaced the separate Scotland and Southern allocations with a single SGN Group allowance.
- 2.3 We have also replaced total allowances across RIIO-3 with annual allowances for each corporate group.
- 2.4 The modifications do not alter other elements of the UIOLI mechanism, including its purpose, overall level of funding available, the eligibility criteria for expenditure or the applicable expenditure caps.
- 2.5 We have published the tracked modification of the SpC 3.21 Appendix 1 table and a decision notice for this decision alongside this decision document.

### **Statutory consultation responses**

- 2.6 We received five responses to this statutory 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).
- 2.7 All four GDNs acknowledged that the modification was necessary to align the licence with the modified Biomethane Connections UIOLI Governance Document. Cadent, NGN and SGN supported the stated objectives of enabling Biomethane Connections UIOLI funding to follow demand by increasing flexibility in the use of allowances.
- 2.8 Cadent mentioned in its response the removal of the prohibition on cross company transfers via the Coordinated Adjustment Mechanism (CAM) as part of our approved modifications to the Biomethane Connections UIOLI Governance Document. For avoidance of doubt, a GDN corporate group that operates more than one distribution network may allocate its allowance between its networks for

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<sup>3</sup> Biomethane connections UIOLI Governance Document: [Biomethane connection funding requirements | Ofgem](#)

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which the licences are held within the same corporate group and CAM transfers are not required for such allocation.

- 2.9 SGN advised that it should be referred to as 'SGN Group' in the SpC 3.21 Appendix 1 table to remain consistent with other tables in its licence. We agree, and we have replaced 'SGN' with 'SGN Group' in the finalised SpC 3.21 Appendix 1 table published alongside this decision.
- 2.10 WWU acknowledged the licence modification was required but repeated its view that the modification gives preferential treatment to companies that operate multiple networks. It also noted that there is the potential for GDN corporate groups to allocate all of the corporate allowance to one network and questioned the potential impact on consumers. Our view remains that the change will provide greater flexibility in the use of allowances and will help to ensure funding can be used where demand for biomethane connections arises, without increasing overall funding. We therefore consider that the change is in the consumers' interests.
- 2.11 WWU also asked for clarification on the timing of a consultation on the matters raised in a joint GDN letter submitted to the Biomethane Connections UIOLI Governance Document consultation. We wrote to the GDNs in August 2026 to provide clarification on the points raised in their letter and noted that the remaining points would be more appropriately considered through our forthcoming consultation on the RIIO-3 associated documents, expected to be published early next year.
- 2.12 NGT repeated its position that these changes do not provide the flexibility and competition across all gas networks. It suggested we consider national funding via a combined revenue pot that all gas networks would have access to. Our views remain that the current targeted modification is proportionate and appropriate, and that a broader redesign of the Biomethane Connections UIOLI mechanism represents a more fundamental policy change, which is beyond the scope of the modification.

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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).