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Biomethane Use It or Lose It Governance Document

Following the release of the Biomethane Use IT or Lose IT (UIOLI) Governance document on 1st April 2026 as part of the RIIO-GD3 Price control additional documents, the GDNs have jointly reviewed the document and have several points where clarification is required.

Our overall concern is that the funding mechanism as stated is likely to constrain projects during this price control period, whereas the preferred approach the networks have proposed to Ofgem for enabling and encouraging connections would be to have more flexibility in the network allocation.

We have set out our comments in more detail in the Appendix below. Given the price control period has now commenced, we would appreciate Ofgem's attention to the matter at the earliest convenience to support the right outcome for customers and net-zero goals.

Following these immediate clarifications, we would also like to discuss the Expansion of the UIOLI definition to include not just biomethane, but also synthetic methane produced renewably.

Yours sincerely,

On behalf of all GDNs,

David Handley

Director of Regulation and Strategy

SGN

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Appendix

1. In section 1.4 – the governance document states, *"In addition to the definition in Special Condition 1.1 of the GDNs' Gas Transporter Licence, Biomethane Distributed Entry Reinforcement also includes physical works to enable or accommodate Biomethane injection at a higher pressure tier to enable greater capacity than would otherwise have been provided".* Our collective interpretation of this statement would be that any costs associated with switching an existing site from, for example, an IP network to a LTS network including the associated pipeline costs would qualify, however the governance document does not make this clear. It would be useful for Ofgem to provide further clarification.

2. In section 2.10 – under bullet two which specifies allowable UILOI expenditure, it includes - *"Capex and opex associated with Biomethane Distributed Entry Reinforcement, net of customer charges levied in accordance with the Connection Charging Methodology statement where these charges do not exceed the cap referenced in 2.9 of this document for a single connection or the overall allowance stated in Appendix 1 of Special Condition 3.21 of the GDNs' Gas Transporter Licence;"* –

   We would like to request a both an adaptation and clarification of this statement. Firstly, the GDNs have jointly agreed that the statement '*these charges do not exceed the cap referenced in 2.9'* should be adapted to state, '*these allowances do not exceed the cap referenced in 2.9'*, as this refers to the allowance within the GDNs licence rather than the customer charges. Secondly, our understanding is that the allowable UIOLI expenditure only includes the financial contribution of the GDN once the customer contribution has been deducted as long as that financial contribution does not exceed the £2m cap per Biomethane Connection or per modification to an existing Biomethane Connection.

   However, it is unclear from the latter part of this statement which states "*or the overall allowance stated in Appendix 1 of Special Condition 3.21 of the GDNs' Gas Transporter Licence*." what the restriction here is. Appendix 1 of Special condition 3.21 sets out the GD3 allowance with no in year caps measured. Therefore, it is unclear what this statement is pointing to in terms of exceeding the overall allowance as this could only be measured towards the end of the price control period once the allowance has been used for several other projects.

3. In section 2.10 – under bullet three there are several 'allowable' expenditure areas detailed including pipelines, compressors etc. In the draft UIOLI governance document, there was an additional area included as 'Metering for low flow rates at GDN transmission offtake points as a result of increased Biomethane capacity requirements.' The final version of the governance document does not include this area. It is unclear as to why this area was removed from the document as it is definitely an area that GDNs will incur a cost. We would propose this is added back to ensure all appropriate areas are included.

4. In section 3.4 – the paragraph states that any expenditure not covered by the UIOLI allowance or recovered directly from the connecter under the relevant 4B provisions should be included under a separate adjustment line in the RRP. The current process for GD2 allows us this

adjustment under tab 1.01b. We would expect this to remain the same going forward for RIIO-GD3, however, we are aware that the RIIO-GD3 RRP templates are still being developed and therefore our understanding of where this adjustment is located is subject to change. We need to ensure clarity is provided through the 'GD3 RRP and RIGs working Group'.

5. In section 3.6 – the governance document states that GDNs *"must not report any costs in the Biomethane UIOLI reporting worksheet in the RRP above the allowances per Biomethane Connection specified in Special Condition 3.21 of the GDNs' Gas Transporter Licence."* As per our comments in point 2 above – the Licence (3.21) does not split out the £20m UIOLI allowance over the 5 years, it simply states £20m for the entirety of the price control period. Therefore, it is unclear what this statement is referring to as GDNs would not know if they are near to exceeding allowances until the final years of the price control. In addition, the £2M cap should be clearly stated to be in 23/24 prices as for the £20m, otherwise it will be a nominal £2M and decrease in value in real terms over the price control period.