

St Fergus Compressor Emissions Re-opener

Cover Note

December 2025

Official-Sensitive Commercial



St Fergus Compressor Emissions Re-opener

Whilst the investments proposed in this submission have been developed to a 25-year Asset Health re-life strategy, given the cost increase as set out in the provided Cover Letter we will explore a phased approach for critical Asset Health investments to ensure the best outcomes for consumers while improving unit availability across this critical site by March 2026.

Introduction

The St Fergus Terminal is vital to UK energy security, processing up to [REDACTED]. As an upper-tier COMAH site, it is subject to stringent safety and environmental regulation. Much of its infrastructure has operated for over 45 years and is now beyond its design life. Ensuring compliance and reliability at St Fergus is essential for safeguarding consumers and meeting environmental obligations.

National Gas Transmission (referred to in this regulatory submission as 'NGT, we, us and our') is submitting this funding request under the RIIO-T2 Compressor emissions Re-opener and Price Control Deliverable, in accordance with Licence Special Condition 3.11, Part D and E, as per the Re-opener Guidance and Application Requirements Document¹ and as per Price Control Deliverable Reporting Requirements and Methodology².

This cover note summarises the regulatory background and submission structure for this re-opener submission. As shown in Figure 1, this cover note is accompanied by Engineering Justification Papers (EJPs) for the proposed asset health investments on Unit 1A, High Voltage (HV) Transformers, Distribution Boards and the New Units investment. Each EJP has associated appendices and cost books. All figures in this submission are in 2018/19 prices except where otherwise stated.

For background on the St Fergus gas terminal or the original Medium Combustion Plant Directive (MCPD) optioneering undertaken, please refer to our Final Option Selection Report (FOSR) submitted in January 2023 (see Appendix C).

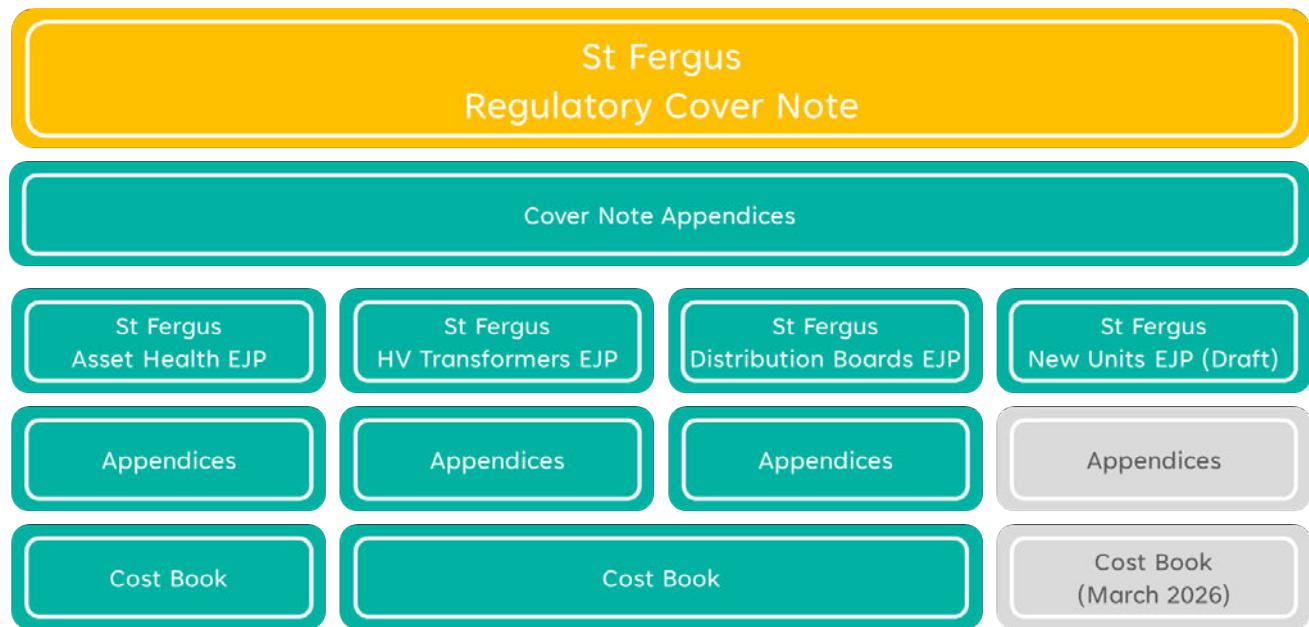


Figure 1: St Fergus Emissions Re-opener submission structure

Regulatory Background and Baseline PCD Assessment

In its RIIO-T2 Final Determination for NGT, Ofgem implemented a two-step re-opener process known as the Gas Transmission Project Assessment Process (GT PAP) for certain licence conditions including Compressor Emissions. According to this process, Ofgem reviews a FOSR early in the price control and a re-opener submission once a project has gone through a full Front-End Engineering and Design (FEED) and tender process.

For each site assessed using this approach, Ofgem provides baseline allowances to cover development costs and deposits on

¹ Version 4, published by Ofgem 28 October 2025

² Version 4, published by Ofgem 25 August 2023

long-lead items, which are subject to a true-up during the associated re-opener. Following Ofgem's assessment of these re-openers, Ofgem determines the total project cost, including the costs incurred to date within RIIO-T2³ and forecast RIIO-T3 costs.

Table 1 shows the details of the current Price Control Deliverable (PCD) for St Fergus aligned to Appendix 2 of the Gas Transmission Transporter Licence (referred to as 'the Licence').

[REDACTED]

Special Condition 3.11 of the Licence relates to Compressor Emissions Re-openers and enables National Gas to request an adjustment to the allowance value based on the following licence terms:

- **Price Control Deliverable term – CEPt**
- **Re-opener allowance – CEPOt**

Under licence condition 3.11 Part E, National Gas is submitting a request to adjust (true up) the baseline allowances and update Appendix 1 of the Licence. This aligns with the PCD Reporting Requirements and Methodology (paragraph 7.4), which states that delivering a PCD output triggers a re-opener submission, and the PCD assessment will be part of that process.

We consider the current PCD fully delivered because:

- We submitted the FOSR in January 2023;
- We procured long-lead items where needed (see individual EJPs for details); and
- We submitted this re-opener by 31 December 2025, in line with Ofgem's approved final options.

Ofgem's RIIO-T2 Final Determination also expects baseline funding to be trued up as part of Compressor Emissions re-opener submissions. During pre-application engagement, we raised questions on how and when Ofgem will handle the true-up and PCD assessment. Discussions between Ofgem and NGT leads are ongoing at the time of submission.

Previous Submissions and Ofgem Determination on the Final Preferred Option

Our FOSR was submitted under Special Condition 3.11, Part C of the Licence in January 2023. It set out our preferred option to install three new gas-driven compressor units along with a trial of retrofit Dry Low Emission (DLE) Abatement technology on a retained [REDACTED] unit at St Fergus. Decommissioning of any remaining [REDACTED] units would be assessed after operational acceptance of the new units. This would achieve emissions compliance while providing robust and capable compression at St Fergus, ensuring resilient long-term operation and continued security of supply.

On 3 October 2023, Ofgem published its Final Determination on our FOSR for St Fergus⁵. The Final Preferred Option includes the installation of three new gas turbine driven compressor units of approximately [REDACTED] which will be commissioned by 2030. [REDACTED] In addition, one of the existing [REDACTED] units will be retained with significant asset health investment to improve unit availability. At the time, there was no preference as to which of the existing units would be retained. Subsequently the other legacy [REDACTED] compressor units will be decommissioned, subject to a reassessment following operational acceptance of the new units.

Separately, should NGT identify a cost-effective retrofit that will permit unrestricted operation of the retained [REDACTED] at St Fergus, then Ofgem would expect NGT to implement that solution and seek funding as part of the next price control.

³ Allowances will be directed depending on when a decision is available through the Annual Iteration Process (AIP), RIIO-T2 close out or RIIO-T3 Final Determinations

⁴ As per Ofgem's RIIO-T2 Final Determinations published in December 2020, this PCD is to ensure NGT delivered a Final Options Selection Report, long lead items and the re-opener submission.

⁵ [Decision - St Fergus Compressor Emissions - Final Preferred Option | Ofgem](#)

NGT submitted proposed investment in Distribution Boards and High Voltage (HV) Transformers as part of the RIIO-T2 Asset Health re-opener in June 2023^{6,7}. As part of Ofgem's decision on the Asset Health re-opener submission in December 2024, Ofgem approved the needs case and selected option for these investments and recommended that these investments should be submitted under Special Condition 3.11 to recover efficiently incurred costs.

Re-opener Request Summary

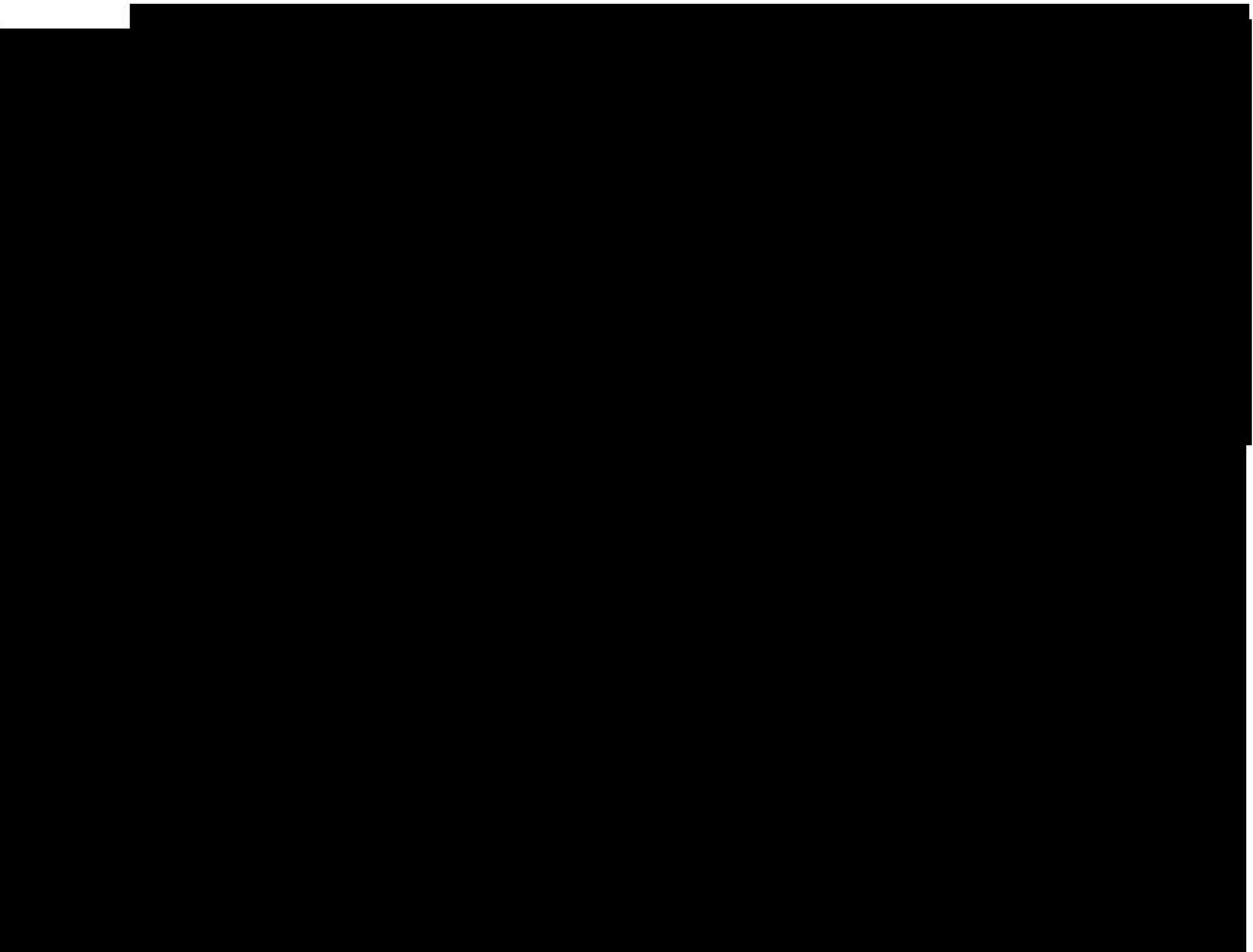
NGT was awarded [REDACTED] Baseline funding for St Fergus compressor emissions. The funding allowed was to cover development costs and deposits on long-lead items. Spend to date (prior to 31 October 2025) for each project is detailed in the relevant EJP and accompanying cost books.

Our total funding request (CEPOt) in this December 2025 St Fergus Compressor Emissions re-opener submission is [REDACTED] covering Asset Health Unit 1A, Distribution Boards and HV Transformers. Table 3 summarises the actual spend for each project, including direct and indirect costs. The table provided as part of this December submission includes detail on the requested Asset Health and will be updated for our funding request for the new units investment in March 2026. The direct costs aligned to CEPOt represent the allowances requested, as this project is subject to the Opex Escalator (Special Condition 3.18 of the Licence). For RIIO-GT3 and RIIO-GT4 our funding request under CEPOt includes direct and indirect cost aligned to Ofgem's RIIO-GT3 Final Determinations published in December 2025.

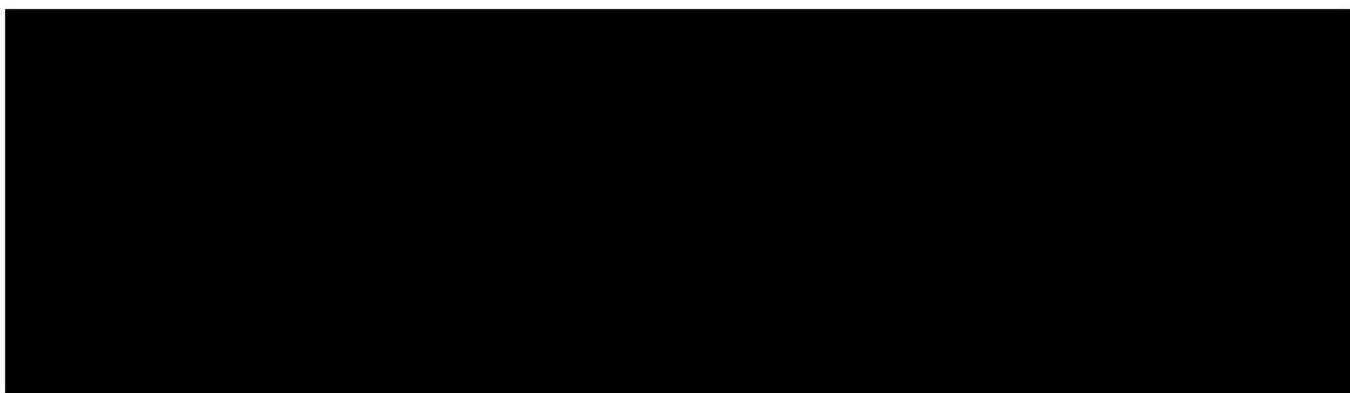
⁶ We provided an update to the June 2023 HV Transformers in September 2023 and an addendum in June 2024 detailing the scope of the preferred replacement option further.

⁷ [Asset health Re-opener Applications submitted by National Gas Transmission \(January 2023 and June 2023\) | Ofgem](#)

Table 4 below provides the funding request (CEPOt) for the HV Transformers and Distribution Boards investments.



The proposed updated PCD outputs for each project are summarised in Table 5, with further detail provided in the relevant EJP.



Appendices

Appendix A – Assurance Letter

Appendix B – Mapping to Ofgem Requirements

Appendix C – Final Option Selection Report (FOSR)

Appendix D – St Fergus Site Strategy