



# Draft Determination

Impact assessment  
document response

**Our response to Ofgem's views  
of the impacts of their  
proposed Draft Determination  
on network companies and  
consumers**

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## Introduction

At National Gas, we operate and maintain the UK's gas transmission system, ensuring energy flows safely, reliably, and efficiently to millions of homes, businesses, and industries. We play a central role in the UK's energy security and are committed to enabling the transition to a net zero future.

As part of the RIIO-GT3 price control process, which begins in April 2026, we submitted our Business Plan to our regulator, Ofgem, in December 2024. This plan sets out how we will deliver long-term value for consumers, meet our regulatory obligations, and invest in a resilient, future-ready gas network.

On 1 July 2025, Ofgem published its Draft Determination, outlining its initial assessment and view on our proposals, and those of other regulated networks. Following an eight-week consultation period, we submitted our full response on 26 August 2025. This document forms part of the suite of materials that make up our full response.

We welcome the fact that Ofgem has clearly signalled this as a consultation in which it is open to making changes based on stakeholder views and the consideration of evidence. This is both positive and important, as we believe a significant number of the current proposals are unacceptable and require numerous remedies to be addressed in the Final Determination. Our response is evidence-based, includes new data where relevant, and proposes practical remedies that better serve the interests of consumers and the country.

We will continue to engage constructively with Ofgem in the weeks and months ahead to ensure our evidence is fully understood and that the necessary changes are secured.

 [Read our full Executive Summary here>](#)

## Structure of our Draft Determination response

There are multiple parts to our response in which we provide the evidence to justify and support changes needed:

- Cover letter
- Executive summary
- Overview document response
- National Gas Transmission document response
- Finance annex response
- **Impact assessment response**
- Redaction log
- NetDAR Report (resubmission)
- Risk assessment (resubmission with update)
- National Gas Transmission Draft Determination response file list
- Appendices and supporting material

**Please note:** Cyber files are excluded from the above

**Any tables, diagrams or images will be labelled numerically related specifically to and within the question response, rather than sequentially throughout the entire document.**

## Our response to questions IAQ1-IAQ3

IAQ1 and IAQ2. Do you agree with our approach to assessing the economic impacts of RIIO-3? What are your views on the appropriate approach to evaluation of the economic impacts of RIIO-3?

1. We welcome the opportunity to respond to Ofgem's Draft Determination Impact Assessment. We acknowledge the strategic importance of this price control period in supporting the transition to net zero, while maintaining safe, resilient, and efficient gas networks.
2. Ofgem's methodology for assessing economic impacts in RIIO-GT3 is structured around a comparison between a 'do-minimum' counterfactual and a preferred option that incorporates strategic changes aligned with Clean Power 2030 (CP30) objectives. For gas transmission, this includes maintaining strong asset stewardship, fair regulation between current and future consumers, and managing perceived stranding risks while ensuring charges remain equitable over time.
3. We note Ofgem's statement that decisions are being made ahead of settled government policy on the future of gas networks (paragraph 1.7). We however also note that Ofgem has acknowledged that the gas transmission network is expected to be in use for the foreseeable future, hence the decision not to accelerate asset lives for RIIO-3. However, no assessment is made of the risk or cost of failure of the gas transmission network, a matter that would have a direct and material impact on consumers and businesses, as recently seen in the Iberian Peninsula. Such an exercise would have enhanced the impact assessment. As referenced in detail in our response to relevant questions in the DD (notably GTQ41 and GTQ54), at DD Ofgem has decided to significantly reduce allowances for asset health against NGT's proposals. We explain in those responses the impact on network risk of these decisions, notably the increased risk of asset failure. Furthermore, Ofgem has decided not to fund proposed initiatives to reduce the risk of pipeline strikes or encroachment (see GTQ46).
4. For gas transmission, Ofgem has evaluated the projected changes in total revenue primarily by considering two adjustments to the financial package. That is a shift to semi-nominal weighted average cost of capital (WACC) and updates to capitalisation rates, which results in 11% increase in total revenue compared to RIIO-T2.
5. While gas bills may rise, overall, these impacts are offset by strategic benefits and avoided future costs. Ofgem also has made the point, that even though current consumers will pay more in RIIO-GT3, due to the adoption of semi-nominal approach to the WACC and the changes to gas depreciation (gas distribution networks only), both effects are direct transfers between current and future consumers.
6. We agree with the emphasis on hard to monetise impacts, such as accelerating the net zero transition, avoiding volatility in global energy markets, reducing greenhouse gas (GHG) emissions and supporting long-term economic growth. We support the inclusion of wider economic impacts such as job creation and growth. However, we note the absence of references to our investment in training and apprenticeships. These contributions should be recognised in the final assessment.
7. While we understand the overall position on GHG emissions, we acknowledge the difficulty in directly valuing these impacts. We encourage Ofgem to develop a robust evaluation and monitoring framework that captures both monetised and strategic benefits over the RIIO-GT3 period.
8. As summarised in our response to FQ25 in the Draft Determination Finance Annex and in IA3 below, we recommend that Ofgem should consider reassessing the consumer base from which gas transmission network costs are recovered from, during RIIO-GT3. The user base for the gas transmission network will change in future price control periods, reflecting the wider role it plays and will increasingly play as CP30 and other such initiatives are implemented.

**IAQ3. Do you agree with our approach to modelling the bill impacts of RIIO-3? Please provide any additional effects or alternative measures that you think would be appropriate.**

9. Ofgem built two consumer bill calculations into the business plan financial models (BPFM). We summarised our own assessment of the impact of our proposals on consumer bills, using the method that most closely aligned to that used for our annual KPI published in our Annual Report and Accounts. However, we note that neither of the methods included in the BPFM were adopted for the impact assessment and as such, we have been unable to fully replicate Ofgem's results.
10. We raised a Draft Determination supplementary question, asking Ofgem to share its bill impact model with us to fully understand the approach taken. However, Ofgem declined.
11. We broadly agree with the directional conclusions drawn in the impact assessment and offer the following reflections on methodology, assumptions, and consumer segmentation:
  12. While Ofgem's methodology differs from that used in our BPFM, the directional impact of our gas transmission plans on consumer bills is consistent with our understanding. The increase in total revenue is primarily driven by regulatory decisions, as referenced in our response to IAQ1 and IAQ2. Specifically, they include the adoption of a semi-nominal WACC and changes to capitalisation rates, rather than changes in our totex proposals, which have been broadly held at RIIO-T2 levels despite our submissions.
13. National Gas Transmission make up just over 5% of the total network charges (£13/£243 Table 6 of the Impact Assessment). The bill impact across the whole sector due to higher totex, semi-nominal WACC, electricity transmission capitalisation rate and gas distribution depreciation, is understandably going to bring with it higher consumer bills.
14. We recognise the challenges of the RIIO-GT3 period, particularly in balancing affordability with the need for strategic investment. The modelling shows that current consumers will pay more, largely due to the shift to a semi-nominal WACC and accelerated depreciation. As we state in our response to IAQ1 and IAQ2, these changes represent a transfer between current and future consumers, reflecting what Ofgem considers a fairer distribution of costs over time and aligning with the long-term value of the network.
15. These risks are particularly acute given the predicted declining population of direct gas users. As noted in our response to asset life questions, the network's value extends beyond domestic consumers to industrial and power generation sectors, which rely on transmission infrastructure for continuity and competitiveness.
16. We also recognise that matching the regulatory asset life to the expected operational life is only one consideration within this decision; the need to consider the bill impact of recovering gas Regulatory Asset Values (RAV) from a reducing population of gas consumers is equally important. The user base of the gas transmission network is evolving, as predicted domestic demand reduces but the gas transmission networks remain essential to provide a gas to intermittent electricity generation and heavy industries that are difficult to electrify. Therefore, we consider it important to reassess the charging mechanism in the near future to ensure the principle of charging the correct population of customers over the correct period is maintained.