national gas transmission

St Fergus Compressor Emissions Re-opener

Cover Note

December 2025

UPDATED October 2026



St Fergus Compressor Emissions Re-opener Cover Note

Executive Summary

National Gas Transmission (referred to in this regulatory submission as 'NGT, we, us and our') is submitting an updated funding request under the Compressor Emissions Re-opener mechanism for investment at St Fergus Terminal.

The investment is required to ensure compliance with the Medium Combustion Plant Directive (MCPD) by 2030 whilst maintaining the resilience and operational capability of the National Transmission System (NTS).

This submission updates NGT's December 2025 application and seeks funding approval for the installation of three new gas turbine-driven compressor units ("New Units").

The approved Final Preferred Option[1] remains unchanged and comprises:

- Installation of three new gas turbine driven compressor units; and
- Retention of one existing Avon compressor unit (Unit 1A) with significant asset health investment to improve unit availability.

Since the original submission, NGT has continued engineering development, procurement activities and commercial engagement with its delivery partners. Updated costs reflect this continued development, together with wider inflationary pressures and market conditions experienced across the compressor emissions programme. We have provided updated Cost Benefit Analysis (CBA) and indicative Best Available Technique (BAT) assessments in May 2026 and September 2026 to Ofgem. At the point of this submission discussions are ongoing with Ofgem and SEPA and following received feedback updated CBA and BATs are pending for re-submission.

This updated submission relates to the New Units investment only. Updated submissions covering the Asset Health works for Unit 1A and associated site infrastructure elements of the approved solution (High Voltage (HV) Transformers and “Enabling Works”) will be provided separately following completion of ongoing engineering, optimisation and commercial activities. We are currently engaging with Ofgem on the timescales for those re-submissions to enable a comprehensive review of the overall funding request to deliver the Final Preferred Option at St Fergus Terminal.

NGT requests that Ofgem assesses this application under the Standard Assessment Tier[2] and provides:

- Draft Determination by 1 February 2027; and
- Final Determination by 30 April 2027.

Timely regulatory certainty is required to support progression into the next phase of project delivery and maintain the programme required to achieve compliance by 2030.

[1] Decision St Fergus Compressor Emissions Final Preferred Option

[2] Aligned with Ofgem re-opener guidance, Version 4, paragraph A11.21

Introduction and background

[redacted]

In December 2025, we submitted the St Fergus Compressor Emissions funding request aligned to the approved Final Preferred Option to Ofgem under RIIO-T2 Licence Special Condition 3.11 (Compressor emissions Re-opener and Price Control Deliverable (CEPt and CEPREt)). As discussed as part of our pre-application engagement with Ofgem, this October 2026 submission provides an update to the investment to install three new gas driven compressor units only.

Special Condition 3.11 no longer applies in RIIO-GT3, but under Part D of its successor RIIO-GT3 Special Condition 3.10 (Compressor emissions Price Control Deliverable (CEPt)) Ofgem may modify the term CEPOt and the Price Control Deliverables specified in Appendices 1 and 2 of RIIO-GT3 Special Condition 3.10 following a re-opener submission under RIIO-T2 Special Condition 3.11 where a decision has not been made before 31 March 2026.

This Cover Note and the accompanied Engineering Justification Papers (EJPs) set out our funding request aligned to CEPOt and our proposed modifications to Appendices 1 and 2 of RIIO-GT3 Special Condition 3.10 as well as NGT's view on the delivery status of the RIIO-T2 Baseline Price Control Deliverable (PCD) and associated adjustment value (CEPRAt).

As this updated funding request is submitted under the RIIO-T2 licence we have followed the RIIO-T2 Re-opener Guidance and Application Requirements Document[3] and Price Control Deliverable Reporting Requirements and Methodology[4]. However, we have also ensured compliance with the RIIO-GT3 Re-opener Guidance and Application Requirements Document[5]. In the provided requirements mapping we have mapped this updated submission against RIIO-T2 and RIIO-GT3 Ofgem guidance, this has been included in Appendix B of this Cover Note. Our funding request in this Cover Note is stated in 2018/19 and 2023/24 prices.

This Cover Note is an update to the version we submitted to Ofgem in December 2025 and summarises the regulatory background and submission structure for this re-opener submission, the submission structure is shown in Figure 1. The St Fergus Compressor Emissions re-opener submission consists of EJPs for the proposed Asset Health investments on Unit 1A, Enabling Works (including HV Transformers), Distribution Boards and the New Units investment. Each EJP has associated appendices and cost books.

As discussed with Ofgem in our pre-application engagement we are planning to provide Ofgem with an update for the Asset Health investments on Unit 1A and an update on the Enabling Works (incl. HV Transformers) investment. At the point of this submission, we are engaging with Ofgem to confirm the dates of those re-submissions.

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), the St Fergus Site Strategy submitted to Ofgem in September 2023[6] and our Option Evaluation and CBA submission provided to Ofgem for assessment in May 2026 (see Appendix D).

[3] Version 4, published by Ofgem 28 October 2025
[4] Version 4, published by Ofgem 25 August 2023
[5] Version 5, published by Ofgem 1 April 2026
[6] The St Fergus Site Strategy was submitted to Ofgem as part of the FOSR and RIIO-T2 Asset Health re-opener submissions.

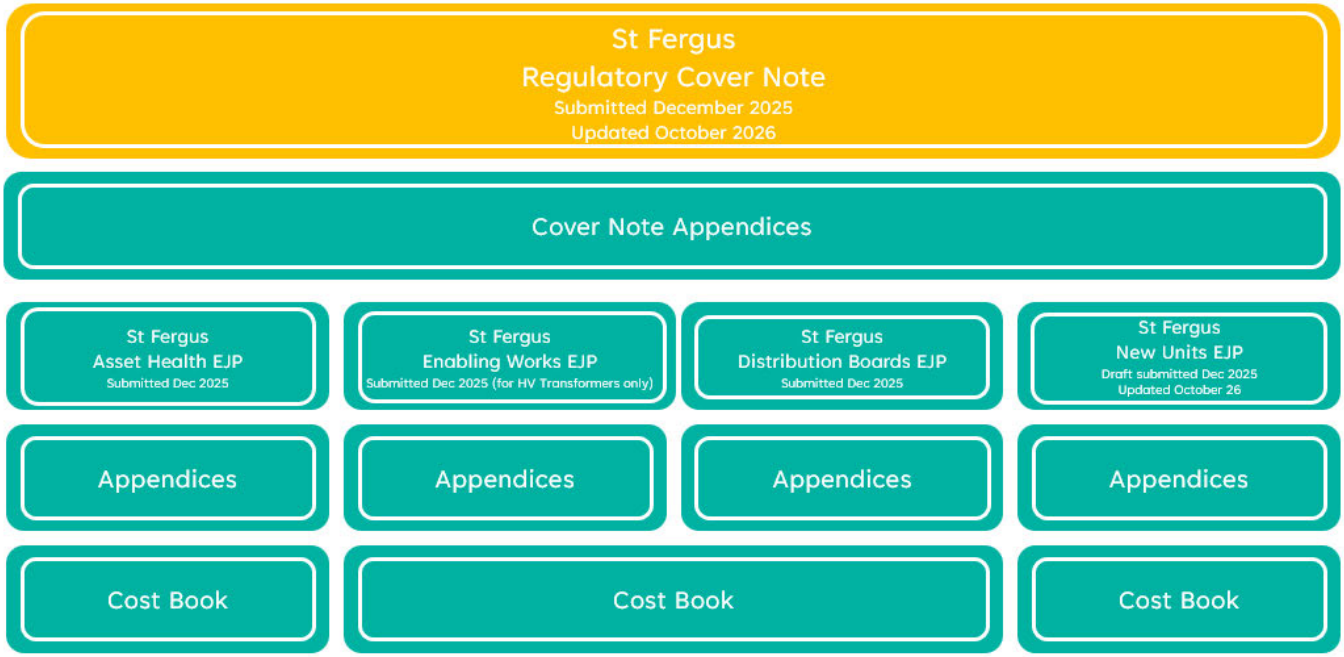


Figure 1: St Fergus Emissions Re-opener submission structure

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 Fergus. The Final Preferred Option includes the installation of three new gas turbine driven compressor units of approximately 15MW output power which will be commissioned by 2030. The new units will be installed in existing Plant 1 and Plant 2 locations. In addition, one of the existing [redacted] units will be retained with significant asset health investment to improve unit availability. At the time of Ofgem's FOSR decision, 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.

As part of the May 2026 CBA submission all credible options were re-evaluated, and the CBA was re-run using updated assumptions. The analysis confirmed that the approved final preferred option delivers the highest Net Present Value (NPV) across all future energy scenarios and remains the most efficient and proportionate solution. This was further supported by the indicative BAT assessment we submitted to Ofgem and SEPA in September 2026. Discussions with SEPA and Ofgem are ongoing with further requested updates to the CBA and BAT pending at the point of this re-opener submission update.

NGT submitted proposed investment for Distribution Boards and HV Transformers as part of the RIIO-T2 Asset Health re-opener in June 2023[7,8] 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.

Regulatory Background and RIIO-T2 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 Design (FEED) and tender process.

For each site assessed using this approach, Ofgem provided baseline allowances to cover development costs and deposits on long-lead items, which are subject to a true-up during the associated re-opener. Following Ofgem's assessment of these re-openers, Ofgem may determine the total project cost, including the costs incurred to date within RIIO-T2 and actual and forecast RIIO-T3 costs.

Table 1 shows the details of the RIIO-T2 PCD for St Fergus aligned to Appendix 2 of the RIIO-T2 Gas Transmission Transporter Licence (referred to as 'the RIIO-T2 Licence').

Site	Output	Delivery Date	Re-opener application window	Total
St Fergus	Final Option Selection Report[9]	[redacted]	[redacted]	[redacted]

Table 1: Appendix 2 of the RIIO-T2 Licence - Compressor emissions Price Control Deliverable (£m, 2018/19 prices)

[7] 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.
[8] Asset health Re-opener Applications submitted by National Gas Transmission (January 2023 and June 2023) | Ofgem
[9] 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.

Special Condition 3.11 of the RIIO-T2 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 = CEPAt - CEPRAt (with CEPRAt to be directed by Ofgem following assessment of the Baseline PCD under RIIO-T2 Special Condition 3.11, Part E).
- Re-opener allowance – CEPOt (Special Condition 3.11 no longer applies, but under Part D of its successor RIIO-GT3 Special Condition 3.10 (Compressor emissions Price Control Deliverable (CEPt)) Ofgem may modify the term CEPOt).

Following the methodology for Evaluative PCDs as set out in the RIIO-T2 Price Control Deliverable Reporting Requirements and Methodology Document, NGT considers that we have **fully delivered** the RIIO-T2 Compressor Emissions St Fergus Baseline PCD set out in Appendix 2 of the RIIO-T2 Licence. We seek Ofgem's review of this PCD as part of their assessment of this re-opener submission. This aligns with the RIIO-T2 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 RIIO-T2 St Fergus Compressor Emissions 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 (this October 2026 application is an update to this submission), in accordance with Ofgem's approved Final Preferred Option.

We therefore propose that the value of the licence term CEPRAt should not be modified and remain at the current value of zero.

RIIO-T2 Baseline allowances proposed split

As detailed above, this October 2026 submission is updating our funding request for the New Units investments only with a further update planned to the Asset Health investment for Unit 1A. Both investments are aligned to Ofgem's approved Final Preferred Option. We were awarded [redacted] RIIO-T2 Baseline funding to develop the Final Preferred Option. In order to facilitate an orderly transition from a combined Baseline allowance to project specific re-opener allowances for the New Units and Unit 1A Asset Health investments, we have allocated the Baseline allowances between the two specific projects in direct proportion to the actual costs incurred in RIIO-T2 ([redacted]). See table 3 for the actual RIIO-T2 incurred costs as of 31 March 2026 (end of the RIIO-T2 period[10]) and table 4 for proposed Baseline allowance split.

[redacted]

Table 2 Actual Spend against Baseline PCD up to 31 March 2026 (direct + indirect costs)

[redacted]

Table 3 Proposed Baseline allowance allocations for St Fergus new units and asset health Unit 1A

[10] The Asset Health Unit 1A is aligned to the cost book submitted to Ofgem in December 2025 which included actuals as of September 2025.

Re-opener Request Summary

This updated submission is for the New Units investment only with a funding request of [redacted] (CEPOt).

The costs provided as part of the December 2025 submission detailing the requested Asset Health funding have remained unchanged. As agreed with Ofgem we are currently exploring the feasibility of phasing of the Asset Health investment and will provide Ofgem with an updated funding request. Additionally, as highlighted in our submission of the HV Transformers EJP, we will provide Ofgem with updated costs for assessment following the conclusion of the intrusive and non-intrusive surveys for the Plant 1 and 2 transformer bases. This update will be bundled with a package of Enabling Works required to support the commissioning of the new compressor units at St Fergus and achieve MCPD compliance by 2030. The scope will include the replacement of the [redacted] HV Transformers, replacement of [redacted] Switchboards, installation of [redacted] Switchboard, and replacement of [redacted] condensate tank. The funding request for the Distribution Boards has remained unchanged and no update to this submission is planned.

Our total funding request (CEPOt) following this updated October 2026 (including the December 2025 submission which is subject to change) for St Fergus Compressor Emissions re-opener submission is [redacted] in 2018/19 prices. This covers [redacted] for the New Units and Asset Health for Unit 1A investments, and [redacted] for the Distribution Boards and HV Transformers works.

In 2023/24 price base our total funding request is [redacted]. This covers [redacted] for the New Units and Asset Health for Unit 1A investments, and [redacted] for the Distribution Boards and HV Transformers works. See table 4 below for the funding request summary by investment scheme.

Update for October 2026 submission

For the delivery of the New Units at St Fergus Terminal we are following the same project delivery model as we are for the new compressor unit delivery at Peterborough Compressor Station, which is the Early Contractor Involvement (ECI) delivery model. The project is split into three phases, Stage 1A (feasibility), Stage 1B (detailed engineering) and Stage 2 (delivery). The St Fergus New Units project is currently in Stage 1B.

This updated submission for the installation of three new compressor units has been made following completion of Stage 1A with the aim to award Stage 2 for full delivery and commissioning in [redacted]. [redacted]. The cost estimate underpinning our submission is based on the engineering and programme as of December 2025, updated with incurred spend to date, known design maturity implications and additional known changes communicated by our Main Works Contractor (MWC). The cost estimate and programme are the result of a structured review and challenge process, improving design, programme and construction methodology. Since then, the project has further progressed the detailed engineering activities, procurement of long lead items and site setup. This stage also has a degree of construction enabling works and early construction activities, with site mobilisation having started in [redacted].

[redacted]

[redacted]



Table 4: Phased St Fergus Compressor Emissions Re-opener Funding Request by project

[11] Funding request for RIIO-T2 (CEPOt) has considered Baseline allowances received and represent direct costs only as this project is subject to the Opex Escalator (Special Condition 3.18 of the RIIO-T2 Licence). For RIIO-GT3 and RIIO-GT4 our funding requests under CEPOt includes direct and indirect cost aligned to Ofgem's RIIO-GT3 Final Determinations published in December 2025.

Re-opener Request Summaries by investment theme

Table 5 and Table 6 below summarise our funding requests for the New Units and Asset Health for Unit 1A.



Table 5: Phased St Fergus Compressor Emissions Re-opener Funding Request New Units (£m, 2018/19) as of October 2026



Table 6: Phased St Fergus Compressor Emissions Re-opener Funding Request Asset Health Unit 1A (£m, 2018/19) as of December 2025

Table 7 and Table 8 below provide the funding request (CEPOt) for the HV Transformers and Distribution Boards investments which is aligned to our submission in December 2025.



Table 7: Phased St Fergus Compressor Emissions Re-opener Funding Request HV Transformers (£m, 2018/19) as of December 2025



Table 8: Phased St Fergus Compressor Emissions Re-opener Funding Request Distribution Boards (£m, 2018/19) as of December 2025

Proposed PCDs by investment scheme

The proposed updated PCD outputs for each project are summarised in Table 9 with further detail provided in the relevant EJP.



Table 9: Proposed update to Special Condition 3.10, Appendix 2 – Compressor emissions Price Control Deliverable – St Fergus

Re-opener Request Summaries in 2023/24 price base by investment scheme



Table 10: Phased St Fergus Compressor Emissions Re-opener Funding Request New Units (£m, 2023/24) as of October 2026



Table 11: Phased St Fergus Compressor Emissions Re-opener Funding Request Asset Health Unit 1A (£m, 2023/24) as of December 2025



Table 12: Phased St Fergus Compressor Emissions Re-opener Funding Request HV Transformers (£m, 2023/24) as of December 2025



Table 13: Phased St Fergus Compressor Emissions Re-opener Funding Request Distribution Boards (£m, 2023/24) as of December 2025

Appendices

Appendix A – Assurance Letter UPDATED October 2026

Appendix B – Mapping to Ofgem Requirements UPDATED October 2026

Appendix C – Final Option Selection Report – as submitted in January 2023

Appendix D – Options Evaluation and CBA – as submitted in May 2026