

RIIO-GD2

Strategic Commentary

2025-2026

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1 Chief Executive's Update



The 2025/26 reporting year marks the final year of the RIIO-GD2 price control period. Against a backdrop of continued affordability pressures, evolving customer needs and increasing focus on the transition to net zero, Northern Gas Networks has continued to deliver strong operational, financial and strategic performance. We have maintained our focus on delivering a safe, reliable and affordable gas network for customers today, while preparing the business for the opportunities and challenges of RIIO-GD3.

Over the last year, our business has continued to support customers and communities through a mature and highly targeted vulnerability programme. In 2025/26, our VCMA programme reached its final year of RIIO-GD2 delivery, with total spend of £24.88m against an allowance of £24.91m, reflecting 99.9% utilisation. The programme delivered 108 projects with around 90 partners, supporting customers through winter support, Centres for Warmth, carbon monoxide awareness, Priority Services Register referrals and wider energy advice. Across the full RIIO-GD2 period, the programme delivered 103,319 CO awareness visits, 50,643 PSR referrals, 228,269 customers receiving energy advice and £32.3m of customer financial savings.

We have also maintained consistently strong customer and operational performance. In 2025/26, we achieved an overall customer satisfaction score of 9.32, with strong performance across unplanned work, planned work and connections. Our complaints performance remained well below Ofgem's penalty threshold, and we continued to deliver industry-leading emergency response performance, attending 99.90% of uncontrolled gas escapes within one hour and 100% of controlled escapes within two hours.

Our core safety and resilience programme delivered strongly throughout RIIO-GD2. During the year, we decommissioned 431.7km of Tier 1 mains. Across the RIIO-GD2 period, we delivered 2,216.6km of Tier 1 mains replacement, helping to improve network safety, reduce leakage risk and maintain the resilience of our gas network. In addition, we completed the RIIO-GD2 gasholder demolition programme ahead of schedule, with the final gasholders removed in 2024/25.

Financial performance has remained robust and disciplined. Our operational RoRE for 2025/26 was 6.36%, with an average of 6.32% across RIIO-GD2, demonstrating that strong delivery and fair returns can be achieved under the RIIO-GD2 framework. In 2025/26, Totex was £11.5m below allowance, supported by continued Opex efficiencies and effective cost control, while Capex expenditure was £54.3m, £5.1m above the final allowance, primarily reflecting the timing of key GD2 programmes such as TransPennine projects and governor site upgrades. Across the RIIO-GD2 period, Capex remained below allowance, reflecting lower expenditure in earlier years and continued efficiencies, particularly in IT and Telecoms.

Mark Horsley, Chief Executive Officer

2 Board Statement

The Board remains committed to ensuring Northern Gas Networks operates with the highest standards of compliance, transparency and accountability. Throughout 2025/26, we maintained robust internal and external assurance processes, aligned with industry best practice, to uphold the integrity of our reporting and regulatory obligations.

Our strategic priorities continue to focus on delivering a safe, reliable and affordable gas network while preparing for a low-carbon future. We have supported significant investment in innovation, infrastructure, and workforce capability to ensure long-term resilience and value for customers. This includes advancing our net zero ambitions, enhancing cyber resilience, and maintaining strong performance for customer service and safety.

We are pleased with NGN's exemplary track record in delivering against output targets agreed as part of the RIIO-GD2 regulatory contract. Incentive arrangements for the senior management team are directly linked to the safety, customer and efficiency targets within the regulatory contract. These targets are reviewed and updated annually.

The Board will continue to provide oversight and challenge to ensure NGN maintains and seeks to improve its sector leading performance, governance, and strategic delivery of its commitments.



Andrew Hunter, Chairman

Financial Performance

3 Performance Summary

Outputs Summary	
Meeting the needs of consumers and network users	
Consumer vulnerability minimum standards	
Number of Fuel Poor connections	
Complaints metric	
Guaranteed standards of performance	
Emergency response – 97% controlled gas escapes	
Emergency response – 97% uncontrolled gas escapes	
Loss of supply – duration of unplanned interruptions	
Planned interruptions survey (score out of 10)	
Emergency response and repair survey (score out of 10)	
Connections survey (score out of 10)	
Maintaining a safe and resilient network	
Repex – tier 1 mains replacement	
Repex – tier 1 services	
Capital projects	
Delivering an environmentally sustainable network	
Shrinkage and environmental emissions	
Biomethane connections information	
Environmental action plan and annual environmental report	
Business Carbon Footprint (BCF) reporting	
Carbon Monoxide Awareness	

Table 1 – Performance Summary

NGN delivered 2,216.6km against a target of 2,144.3km, an outperformance of 72.3km. We also continued delivery of the Tier 1 Stubs programme despite no allowance being provided for Years 3-5 of RIIO-GD2.

Our Scope 1 and 2 BCF (**market**-based, excluding shrinkage) has remained broadly stable since a return to more typical operating conditions following the Covid-19 pandemic in 2022/23. Our RIIO-GD2 Environmental Action Plan set an intentionally ambitious target to reduce Scope 1 and 2 BCF by 52% from the 2017/18 baseline of 7,494 tCO₂e by 2025/26.

Over this period, we achieved a 28% reduction, representing significant progress towards our long-term decarbonisation ambitions.

Financial Summary £m, 18/19 prices	21/22	22/23	23/24	24/25	25/26
Regulatory Asset Value	2,263	2,293	2,320	2,346	2,367
Allowed Revenue	384.6	509.1	456.6	407.8	438.6
Return on Regulatory Equity	6.98%	6.80%	5.66%	5.79%	6.36%

Table 2 – Financial Summary

The Regulatory Asset Value (RAV) increases year on year in line with expectations as we continue to invest in our assets. Allowed Revenue includes £81m and £21m for Supplier of Last Resort charges incurred in 2022/23 and 2023/24 respectively.

Totex Incentive £m, 18/19 prices	21/22	22/23	23/24	24/25	25/26	Total
Actual costs	214.9	220.9	242.7	246.7	238.0	1,163.2
Adjusted Allowances	257.3	257.4	244.6	245.0	249.5	1,253.8
Outperformance	(42.4)	(36.5)	(1.9)	1.7	(11.5)	(90.6)
Outperformance %	(16.5%)	(14.2%)	(0.8%)	0.7%	(4.6%)	(7.2%)
Return to customers	21.6	18.6	1.0	(0.9)	5.9	46.2

Table 3 – Totex Incentive

In 25/26 we spent 4.6% less than our Totex allowances, the adjusted allowance for RIIO-GD2 fell to £1,253.8 from £1,269.8m (1.2%) last year and our final reported position is an outperformance of £90.6m (7.2%) with an expectation of returning £46.2m to customers.

Other Incentives £m, 18/19 prices	21/22	22/23	23/24	24/25	25/26	Total
Customer service	1.4	1.6	1.6	1.7	1.7	8.0
Complaints	-	-	-	-	-	-
Unplanned Interruptions	-	-	-	-	-	-
Environmental Emissions	(0.3)	0.4	0.5	0.4	0.5	1.5

Table 4 – Other Incentives

Financial Performance

We have maintained our customer service performance to the end of RIIO-GD2, securing an £8.0m incentive for customer satisfaction by the end of the regulatory period. We also pay zero penalties under the Complaints and Unplanned Interruptions Incentive. We recovered our position on Environmental Emissions from 2021/22 and received a total of £1.5m incentive in GD2.

Financial Performance

4 Financial Performance

4.1 Return on Regulatory Equity

Ofgem use the Return on Regulatory Equity (RoRE) to measure the financial returns or penalties on the portion of the value of the company that is financed by equity. RoRE is calculated by using the cost of equity (Allowed Equity Return) as the starting point as this amount is funded directly in revenue. The cash value of any outperformance from the incentive mechanisms is then divided by the 40% notional equity portion of the Regulatory Asset Value to calculate the additional return on equity earned.

Return on Regulatory Equity	21/22	22/23	23/24	24/25	25/26	GD2
Allowed Equity Return	4.52%	4.56%	5.28%	5.59%	5.45%	5.09%
Totex outperformance ¹	2.31%	1.97%	0.10%	(0.09%)	0.61%	0.96%
Business Plan Incentive	0.13%	0.13%	0.13%	0.13%	0.12%	0.13%
Customer Satisfaction Survey	0.15%	0.18%	0.17%	0.19%	0.19%	0.18%
Complaints metric	-	-	-	-	-	-
Unpl. Interruption Mean Duration	-	-	-	-	-	-
Shrinkage Management	(0.03%)	0.05%	0.05%	0.04%	0.05%	0.03%
Network innovation	(0.02%)	(0.02%)	(0.03%)	(0.03%)	(0.02%)	(0.02%)
Carry-over Network innovation	(0.02%)	-	-	-	-	-
Strategic innovation	-	-	-	-	-	-
Penalties and fines ²	(0.07%)	(0.04%)	(0.03%)	(0.03%)	(0.03%)	(0.04%)
RoRE – Operational performance	6.98%	6.80%	5.66%	5.79%	6.36%	6.32%

Table 5 – Return on Regulatory Equity

Our operational RoRE starts at 6.98% and fluctuates to a minimum of 5.66% before ending at 6.36%, an average of 6.32%, and higher than the 5.2% forecast last year due to underspends as detailed in section 5.1. After the Allowed Equity Return, the main driver is the Totex incentive mechanism.

¹ Calculated differently to other tables (NGN TIM share, RAV disposals & Net Zero UIOLI)

² Penalties and fines relate to the 14 areas of Guaranteed Standards of Service (GSOS), with the largest 24/25 payment of £120k being for Regulation 10A in relation to notification of planned supply interruptions.

It should be noted that RoRE is draft until finalised in the Regulatory Financial Performance Report (RFPR) published in September.

4.2 Revenue and Customer Bills

Allowed Revenue

At the beginning of the price control Ofgem set our Base Revenue, assuming we deliver in line with the allowed costs and workload. Our Allowed Revenue is then calculated based on our actual cost and workload performance and is used to set customer bills. However, because of movements in customer numbers and levels of consumption, our Collected Revenue for that year is unlikely to match the Allowed Revenue exactly. Any under or over collection, which should be minimal, is adjusted for in the following years' Allowed Revenue.

In addition to our Local Distribution Zone (LDZ) Revenue, the gas networks collect revenue to pay for the National Transmission System (NTS) Exit Capacity charges, and the Supplier of Last Resort payments. These are pass-through costs – the gas networks have no control over the charges and simply collect the revenue to be passed on. However, they are a significant part of the end customer's bill.

Our average LDZ Allowed Revenue for RIIO-GD2, falls in real terms to £385m, a 10% reduction from the RIIO-GD1 average of £429m, reflecting the challenging nature of the RIIO-GD2 settlement. NTS Exit Capacity charges increase from an average of £8m in RIIO-GD1 to £34m in RIIO-GD2. We have collected c.£103m in Supplier of Last Resort Payments over the GD2 period, this was predominantly in years 22/23 and 23/24.

Customer Bill Impact

The amount each customer pays through their bill is driven by three factors – Allowed Revenue for the year in question, changes in the number of customers, and changes in the level of peak day gas consumption for these customers. For instance, if the number of customers increases for a fixed allowed revenue, then each customer would pay proportionally less.

Our domestic customer bill analysis shown below is calculated using NGN's average Annual Quantities (AQ) consumption and peak daily capacity requirements.

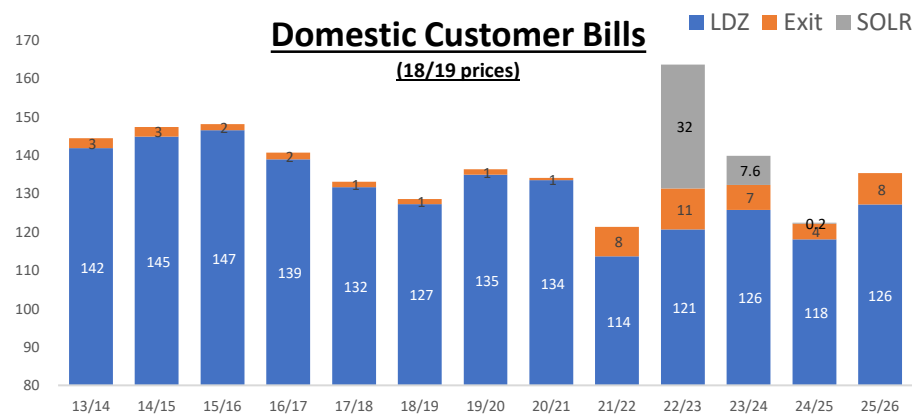


Figure 1 - Domestic Customer Bills

The average RIIO-GD2 LDZ domestic customer bill fell to £121, a 12.6% reduction from the RIIO-GD1 average of £137. This reduction is smaller than the reduction in Allowed Revenue, due to changing gas consumption. Exit costs increase significantly from £2 to £7 on the bill. Supplier of Last Resort (SOLR) payments increased the bill by £32 and £8 in 2022/23 and 2023/24, for the remaining years of GD2 they have been negligible.

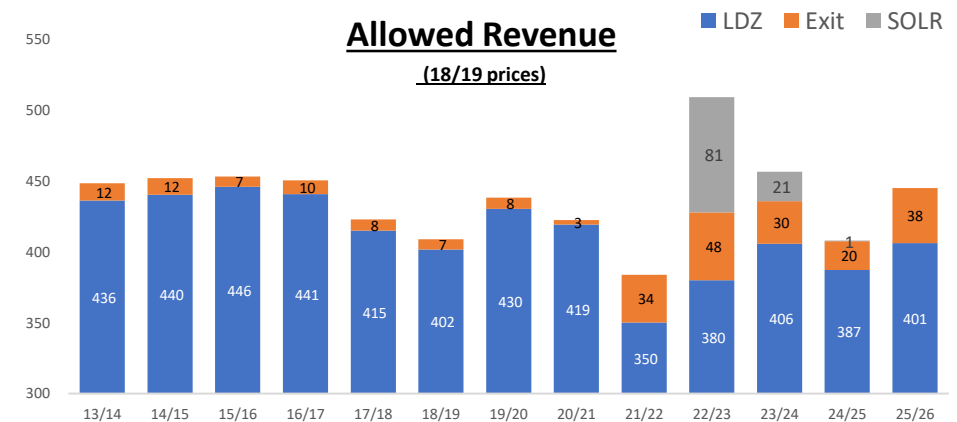


Figure 2 – Allowed Revenue

5 Our performance against the allowances

5.1 Totex performance

Totex	21/22	22/23	23/24	24/25	25/26	Total	Allowed	Variance
Opex	73.9	85.7	93.1	92.5	89.7	434.9	490.2	(55.3)
Capex	40.3	39.4	45.8	52.4	54.3	232.2	269.5	(37.3)
Repex	100.7	95.8	103.8	101.8	94.0	496.1	494.1	2.0
Totex	214.9	220.9	242.7	246.7	238.0	1,163.2	1,253.8	(90.6)
Allowance	257.3	257.4	244.6	245.0	249.5	1,253.8		
Variance	(42.4)	(36.5)	(1.9)	1.7	(11.5)	(90.6)		
Cumul. Variance	(42.4)	(78.9)	(80.8)	(79.1)	(90.6)			

Table 6 – Totex Performance

This year we underspent by £11.5m against the Totex allowance.

Controllable Opex saw a total underspend against allowances of £16.7m:

Work Management: £5.4m of underspend is broken down as follows:

- Holder Demolition £2.8m under allowance – Programme fully delivered by the end of Y4 utilising efficient commercial framework and delivery partners.
- Land Remediation £0.3m over allowance – remediation activities completed following surveys and monitoring completed in Y4.
- Other £3.0m under allowance – continued effective resource planning across support departments.

Work Execution: £6.9m of underspend is broken down as follows:

- Maintenance £4.4m over allowance – driven by a continued increase in non-routine activities as we catch up on the Annual Maintenance Programme (AMP), Governor Site Upgrade Programme increased delivery.
- Emergency £7.4m under allowance – benefit of First Call Engineers (FCEs) supporting the maintenance governor programme, facilitated by a lower-than-expected Public Reported Escapes (PRE) workload.

- Repair £0.2m under allowance – reduced Repair workload has generated reduced reinstatement spend and enabled capacity for teams to be utilised on maintenance valve survey work.
- Other Direct Activities £3.8m under allowance – fewer large-scale incidents and recovery of costs from prior year incidents, lower than expected contractor costs associated with non-routine activities. No expenditure against East Coast Hydrogen FEED (See Below).

Business Support & Training: £4.4m of underspend is broken down as follows:

- IT & Telecoms £2.9m under allowance – utilisation of internal resource, less reliance on contractors.
- Property Management £1.1m under allowance – lease renegotiations, office closures and purchase of Thorpe Park.
- Insurance £1.5m under allowance – continued savings associated with property damage policy changes.
- Training £0.8m over allowance – extension of the apprentice scheme to assist workforce resilience.

East Coast Hydrogen: £6.4m of underspend is broken down as follows:

- The East Coast Hydrogen FEED project started in June 25 with key members of the team onboarded by Oct 25. The allowance of £15.0m was split across RIIO-GD2 and RIIO-GD3 evenly. During RIIO-GD2 the focus has been on establishing the team and assessing external tender proposals. Reported spend in Year 5 is £1.4m against the allowance of £7.5m, the £6.1m underspend is split £3.0m ODA and £3.1m Business Support.

Capex saw an Overspend against allowances of £5.1m:

- LTS, Storage & Entry - £3.8m overspend within the year against the allowance. The main contributor was down to the phasing of the TransPennine projects. Due to delays incurred during GD2, a much larger proportion of work was carried out in year 5, than had been anticipated, with a net spend of £7.2m, against the PCD of £0.9m

- Reinforcement expenditure was £0.2m below allowance. Delivery volumes increased compared to Year 4, however overall spend remained below allowance despite an increase in cost per metre.
- Other Capex was £2.1m below allowance. The variance was primarily driven by a £4.9m underspend in IT & Telecoms as NGN continued to realise efficiencies from its insourcing strategy. This was partially offset by increased expenditure in E&I and Pipelines, where spend exceeded allowance in 2025/26 following a focused effort to accelerate delivery of the GD2 business plan.
- Connections £0.8m underspend. Despite persistent unit cost pressures arising from lower workloads and inflation, effective cost management enabled the business to reduce net expenditure by 16% year-on-year and maintain strong regulatory performance. Work volumes stabilised showing demand for connections increasing in anticipation of DLCA removal.
- Governors – Net spend over the allowance by £4.4m. Governor site upgrade programme continued, ensuring our district governors and sites are safely secured.

Repex experienced a £0.1m overspend this year against allowance and £2.1m over the RIIO-GD2 period, attributed to increased delivery costs and accelerated workload delivery on Tier 1 mains as we continue to outperform annual forecasts to ensure delivery of all workload targets in RIIO-GD2.

Annual regulatory workload allowance was 428.9km, increasing to an annual delivery target of 437.3km when including the 42.5km Covid-19 recovery workload. During the year, NGN delivered 431.7km of Tier 1 mains replacement, 5.6km below target but 9.8km above forecast. Across RIIO-GD2, NGN delivered 2,216.6km of Tier 1 mains replacement, exceeding the regulatory target by 72.3km (3.3%). We also continued delivery of the Tier 1 Stubs programme despite no allowance being provided for Years 3-5 of RIIO-GD2.

Overall, our Repex programme continues to experience ongoing delivery cost challenges driven by macroeconomic factors which we actively look to mitigate through our Direct Service Provider model and efficient end-to-end Repex processes. Direct delivery cost pressures and increasing restrictions and legislation from Local Authorities are negatively impacting delivery efficiency and cost.

5.2 Opex performance

5.2.1 Controllable Opex

Controllable Opex	21/22 Actuals	22/23 Actuals	23/24 Actuals	24/25 Actuals	25/26 Actual	Total Actual
Holder Demolition	3.1	4.2	2.8	1.6	(0.2)	11.5
Env. Remediation	0.4	0.3	0.4	0.4	1.0	2.5
Other Work Mngt	10.3	12.9	14.3	13.1	11.4	62.0
Work Mngt	13.8	17.4	17.5	15.1	12.2	76.0
Emergency	9.0	10.2	10.0	10.2	9.9	49.3
Repair	14.3	17.0	16.1	15.6	14.8	77.8
Maintenance	13.0	15.2	20.6	22.9	21.6	93.3
Other direct activities	3.1	3.1	3.8	2.5	3.8	16.3
Work Execution	39.4	45.5	50.5	51.2	50.1	236.7
Business Support	18.7	20.1	21.2	21.7	23.1	104.8
Training/ Apprentices	1.9	2.7	3.8	4.5	4.3	17.2
Total Costs	73.9	85.7	93.1	92.5	89.7	434.9
Final Allowance	98.4	96.6	94.2	94.6	106.4	490.2
Variance	(24.5)	(10.9)	(1.2)	(2.1)	(16.7)	(55.3)
Cumulative Variance	(24.5)	(35.4)	(36.6)	(38.7)	(55.3)	

Table 7 – Controllable Opex

Our Controllable Opex costs were £89.7m this year, £2.8m lower than 2024/25. The completion of the gas holder programme and reduced pension deficit costs are the biggest year-on-year changes, the remainder of costs fall in line with expectation. We have seen a significant increase in maintenance costs over the last 3 years, as we have caught up on the Annual Maintenance Plan (AMP) as well as investing additional resources to deliver work to provide long-term resilience and reduce the age profile in this part of the business. NGN outperformed the 5-year Final Allowance (workload adjusted and including forecast RPEs) by £55.3m.

Work Management and Work Execution

Gasholder Demolition and **Land Remediation** costs can vary materially by size, condition and other site factors. Last year we finalised the Gasholder Demolition programme, final costs were determined and cost accruals released this year resulting in a £0.5m underspend against forecast. We spent £0.9m less than our Land Remediation forecast this year and £0.3m more than allowances as we completed remediation work identified by monitoring and sampling in Y4. In these two areas, NGN has underspent its allowance by £5.1m largely due to effective project management, minimising risk and efficient commercial strategy to control costs.

We spent £1.9m on **Asset Management** this year, in line with costs assumed in our business plan. Over RIIO-GD2 we have underspent the allowances by £1.1m due to improved processes, utilisation of technology and associated streamlined resourcing.

We spent £0.4m on **System Control** this year, slightly lower than the previous year and below our business plan forecast. Over RIIO-GD2 we have underspent allowances by £4.5m.

We now flex the resource in these areas to support other asset management activities to increase efficiency and maximise output across Totex.

Under our Totex operating model **Operations Management, Customer Management, Emergency and Repair** costs can all be affected by the relative level of workload across Opex, Capex and Repex. In Opex, the main workload drivers are the volume of Publicly Reported Escapes (PREs) and repairs we see in the year.

Workload	19/20	20/21	21/22	22/23	23/24	24/25	25/26
Forecast PREs	90,529	89,869	89,234	88,626	88,041	87,480	86,942
Forecast Repairs	20,199	19,551	18,838	18,153	17,497	16,866	16,260
Actual PREs	74,948	70,115	67,770	69,945	68,203	68,248	66,820
Actual Repairs	17,317	17,794	19,482	20,658	18,835	18,785	16,958

Table 8 – Workload Summary

Expenditure in **Emergency** and **Repair** has reduced to £24.7m this year compared to £25.8m in 24/25.

Emergency costs have reduced by £0.3m to £9.9m, PRE workload in the year was 23% below forecast due to a mild winter. Over RIIO-GD2 we have underspent the allowance by £15.4m, with workload a consistent 23% lower across the 5 years and falling each year since 19/20. NGN has added significant number of engineers over RIIO-GD2 to improve resilience and a move towards Health and Safety Executive fatigue requirements, but we have been able to minimise additional costs where possible due to a large majority of the workforce on modern terms and conditions enabling coverage of the network between 07:00 and 22:00 via core contracted hours.

Repair costs reduced by £0.8m as Repair volumes were lower than the previous year and £2.6m lower than our forecast for 25/26. Over RIIO-GD2 we have underspent the allowance by £1.1m, with workload 8% higher across the 5 years. We have maintained our strategy of realigning resource from other areas where customer driven workload has fallen – connections, fuel poor and service alteration work - to reduce the number of outstanding escapes, as well as align resource to wider Totex workstreams through utilisation of our productivity metrics and insight. We expect repairs to gradually trend down over time because of the Repex programme, but not necessarily every year as other factors such as weather and asset performance will influence the overall workload. We have seen benefits from reduced transport costs due to the procurement of new operational vehicles, replacing ageing fleet.

Our Emergency & Repair forecast was based on a 'normal' winter workload, this winter was particularly mild and was a major contributor to the £4.5m underspend against last year's forecast.

We spent £1.1m less on **Operations Management** this year and £0.9m less than forecast. The main driver was a reduction in payments associated with the Incremental Pensions Deficit, which should be cleared in RIIO-GD3.

We spent the same on **Customer Management** this year and slightly below our business plan.

Across Operation Management and Customer Management we have underspent the allowance by £4.0m, lower escapes workload, effective management of resources and utilisation of colleagues in Capex and Repex have all helped to achieve this.

We spent £1.2m less on **Maintenance** this year, a £10.4m increase on the annual cost since 2020/21. Maintenance encompasses wider activities beyond core asset maintenance, and includes survey activities conducted by regional teams, gas connection alterations, disconnections and capital activities that are treated as Opex for regulatory reporting. Annual costs are higher than in our RIIO-GD2 business plan, which outlined our strategy to increase maintenance activities in several areas to ensure compliance and asset health. Extreme climate conditions are having greater impacts on NGN's assets across the network; environmental resilience is more important than ever and will become a key part of our activities going forward. NGN has overspent against its allowance by £6.9m over RIIO-GD2 and this level of expenditure is anticipated to continue into RIIO-GD3.

We spent £1.3m more on **Other Direct Activities** than last year and £0.6m more than last year's forecast. In June 25 the East Coast Hydrogen project commenced and represented a cost of £1.4m in this year's reported numbers. Over RIIO-GD2 we have underspent the allowances by £10.0m. Over RIIO-GD2 we have removed expensive interruptions contracts, ensured management resource is cost effective, utilised resources on Capex and Repex projects, minimised the impact of district incidents (ensuring that no fault incident costs are recovered) and underspent against the East Coast Hydrogen FEED by £3.0m (the GD2 / GD3 split was determined at 50/50, a 20/80 split would have been more realistic). Also to note, ODA includes the NZARD UIOLI allowance of £4.6m in PCFM, however we do not report this in the Totex actuals.

Business Support and Training and Apprentices

There was a marginal decrease on **IT and Telecoms** this year with an underspend against the forecast of £0.9m. Anticipated demand increases for AWS/licences forecast last year was not as high as anticipated. Over RIIO-GD2 we have underspent against the allowance by £8.8m, we have brought implementation and upgrade activities in-house to escape expensive contractor costs. Our spend against the allocated cyber resilience allowance for the RIIO-GD2 period remained below the overall provision. This position reflects a combination of deliberate, disciplined delivery and external challenges. On the one hand, we have successfully delivered several key projects under budget, underpinned by our focus on proportionality, value for money, and risk-based prioritisation. We have ensured that outcomes address identified cyber and physical risks effectively while demonstrating strong cost control and accountability for customers' money. On the other hand, delivery progress has been impacted by several significant factors outside of our direct control. The increased

burden of BAU operational commitments and substantial changes to regulatory compliance requirements, including the assurance scheme, have diverted both internal and specialist resource from roadmap delivery

Our **property** costs have reduced by £0.1m this year and are £0.9m below forecast. This is due to a reduction in utility costs following the energy crisis in the previous year and reduced dilapidation forecast at Clough Road depot. NGN has underspent against its allowance by £3.9m over RIIO-GD2. Largely due to Office refurbishments/replacements through the capex programme, lease renegotiations and office/depot closures combined with efficient facilities management.

Our **Human Resources** costs are £0.1m higher than forecast this year. NGN has overspent against its allowance by £0.2m over RIIO-GD2. We have invested in wellbeing, hybrid working and talent development strategies, as well as expanding on our existing diversity and inclusion plans through employee led community groups.

We spent £1.0m more on **Audit, Finance and Regulation** this year, £1.2m more than forecast, on costs associated with the East Coast Hydrogen FEED project, offset by lower costs on the GD3 plan. NGN has underspent against its allowance by £1.3m over RIIO-GD2, through efficiency savings and good resource management.

We spent £0.2m less on **Insurance** this year due to reduced employee liability claims that historically vary in materiality from year to year and £0.6m less than forecast. NGN has underspent against its allowance by £4.5m over RIIO-GD2, through favourable property damage policy changes, general market downward trend and improved challenge against insurance claims.

Our **CEO and Group** we spent £0.7m more than last year, which was in line with forecast costs. NGN has underspent against its allowance by £1.8m over RIIO-GD2.

Procurement costs are in-line with last year and forecast, NGN has underspent against its allowance by £0.6m over RIIO-GD2.

5.2.2 Non-Controllable Opex

Non-Controllable Opex (2018/19 Prices)	21/22 Actuals	22/23 Actuals	23/24 Actuals	24/25 Actuals	25/26 Actuals	TOTAL Actuals
Shrinkage	7.9	15.4	5.9	6.3	5.1	40.6
Ofgem licence	2.3	2.2	2.4	2.7	3.1	12.8
Network Rates	42.1	38.7	30.2	31.2	30.5	172.7
Pensions deficit	4.9	12.5	13.0	7.2	1.5	39.1
NTS Exit	39.3	34.1	25.9	28.2	39.1	166.7
Xoserve	3.3	2.5	2.8	2.3	2.7	13.6
Supplier of Last Resort	0.7	81.3	20.9	0.7	(0.8)	102.8
Network Innovation (ex IRM)	2.8	1.9	2.6	2.6	1.9	11.6
Total	103.4	188.5	103.6	81.1	83.2	559.9

Non-controllable costs are outside of the control of the GDNs. Revenue allowances are trued up to match the final costs incurred. Key movements year on year are as follows:

- Shrinkage costs primarily driven by gas price changes have decreased year on year by £1.2m (19%) to £5.1m.
- Supplier of Last Resort payments peaked at £81.3m in 2022/23, were £20.9m in 2023/24 then reduced significantly in 2024/25 to £0.7m. In 2025/26 **£0.8m** was returned to customers to refund amounts overclaimed by suppliers
- Pension Deficit reflects the recovery of the cost of the buy-in of pensioner liabilities, as discussed with Ofgem in June 2023.
- Changes in NTS Exit capacity prices are the main driver of the increase in costs to £28.2m and £39.1m in 24/25 and 25/26 respectively.

5.3 Capex

5.3.1 Capex against the Allowance

Capex (2018/19 prices)	21/22	22/23	23/24	24/25	25/26	TOTAL
LTS, storage and entry	9.3	7.7	9.7	16.2	19.0	61.8
Connections	7.5	5.5	5.4	5.3	4.4	28.1
Reinforcement	4.7	4.9	4.4	2.9	4.0	20.9
Governors (ex. reinf)	0.3	1.7	2.6	4.2	6.0	14.8
Other Capex	18.5	19.7	23.7	23.9	20.9	106.7
Total	40.3	39.4	45.8	52.4	54.3	232.2
Final Allowance	52.5	57.1	55.2	55.6	49.2	269.5
Variance	(12.2)	(17.6)	(9.4)	(3.2)	5.1	(37.3)
Cumulative Variance	(12.2)	(29.8)	(39.2)	(42.4)	(37.3)	

Table 9 – Capex Summary

Capex expenditure in 2025/26 was £54.3m, £5.1m above the final allowance, primarily driven by increased delivery activity in LTS, Storage & Entry and Governors. This reflects the timing of key GD2 programmes, including delayed activity on TransPennine projects being delivered in the final year of the price control, alongside continued investment in governor site upgrades to support safety and resilience. Despite the in-year overspend, Capex remains £37.3m below allowance across RIIO-GD2, reflecting lower expenditure in earlier years and continued efficiencies in areas such as IT & Telecoms.

Local Transmission System (LTS), Storage and Entry costs were £19.0m, c.£3.8m higher than allowance.

The majority of expenditure reported under LTS Storage and Entry relates to the RIIO-GD2 Price Control Deliverable (PCD) project, TransPennine Electrification. Following an underspend against the PCD allowance during Years 1–4, expenditure increased significantly in Year 5. While the PCD allowance for Year 5 was £0.9m, NGN incurred £7.2m net capex expenditure as a result of completing work that had not been delivered earlier in the GD2 period, a further c.£1m was incurred within Opex. Despite this accelerated delivery profile,

changes to the project scope resulted in an overall underspend against the total PCD allowance. Further details are provided in Section 6.3.3.

Net Connections costs were £4.4m this year, c£0.8m lower than allowance. Workload reduced on total Mains by 27% and increased on total services by 2% compared to last year. Net Costs were £0.9m lower than previous year despite minimal change in work volume but focus on efficient work delivery has resulted in improved unit costs.

Connections (2018/19 prices)	21/22	22/23	23/24	24/25	25/26	TOTAL
Allowed volume						
Domestic Services	5,462	5,802	6,137	6,468	2,174	26,043
Domestic Mains	27.00	30.30	33.50	36.80	3.20	131
Fuel Poor Services	-	-	-	-	-	2,154
Non-Domestic Services	512	517	522	526	530	2,607
Actual and Forecast volume						
Domestic Services	3,931	2,725	2,802	2,220	2,309	13,987
Domestic Mains	17.1	14.9	16.1	9.5	7.0	64.7
Fuel Poor Services	854	185	100	108	95	1,342
Non-Domestic Services	405	282	318	351	326	1,682
Actual & Forecast cost/allow						
Total Connections Net Costs	7.5	5.5	5.4	5.3	4.4	28.1
Total Connections Allowances	8.0	6.1	6.0	5.3	5.3	30.7
Variance	0.6	0.6	0.6	0.0	0.8	2.6
Cumulative Variance	0.6	1.1	1.7	1.8	2.6	

Table 10 – Connections

Connections workload Domestic and Non-Domestic Connections workload was 1% higher than our allowed workload in 2025/26. All workloads reduced during the Covid-19 pandemic and have not returned to the levels seen in the latter years of RIIO-GD1 which drove our business plan forecasts and supported allowed workload. The marginal increase does show that demand for Connections is stabilising and not reducing at expected levels.

Actual Connections workload in 2025/26 has increased by 2% compared to the previous year driven by Existing Housing connections increasing by 16%, New Housing and Non-Domestic connections reduced by 13%. There has been a spike in 2025/26 domestic

mains/services to existing property partly linked to customer demand to have gas installed before the removal of DLCA.

The higher energy prices following the price cap increase has seen an overall reduced demand in connections compared to allowed volumes which we expect to continue in 2026/27.

Fuel poor workload continues to be lower than planned, 94 compared to the original annual target of 1,000 fuel poor connections set out in our RIIO-GD2 business plan. The repurposing of the Fuel Poor Network Extension Scheme (FPNES) has directed allowance into Vulnerability and Carbon Monoxide Allowance (VCMA) projects, resulting in the significant reduced volume at 1,343 connections in RIIO-GD2 – a 73% reduction compared to the target in our RIIO-GD2 business plan and a 38% reduction compared to the restated volumes following FPNES repurposing.

Connections allowance and costs were £0.8m below allowance this year and in-line with forecast following increased workload. c£3.8m (42%) of our gross connections and fuel poor costs were overhead related in 2025/26 compared to £3.2m (43%) in 2024/25. The value of overhead as a proportion of unit costs has increased compared to our RIIO-GD2 plan due to stranded overhead costs from our Connections design, planning, delivery and customer teams as we maintain high standards of service across this customer driven work. These teams are flexed where possible onto other activities but can't be scaled in-line with frequent fluctuations in work demand whilst maintaining high levels of Guaranteed Standards of Service (GSOS) and customer experience performance.

Reduced work volumes across domestic new housing and non-domestic connections presents significant challenges on stranded overheads which we look to off-set through implementation of efficient processes and productive work delivery.

Mains Reinforcement net costs (excluding governors) were £3.6m, c.£0.6m below allowance. NGN delivered 8.8km of mains reinforcement during the year, compared to 7.7km in 2024/25. Unit costs increased to £407 per metre from £343 per metre in the prior year. The increase reflects a combination of factors, including a lower proportion of chargeable projects, which increased the net cost per metre, greater utilisation of direct labour resources in place of direct service providers, which generally comes at an increased

rate. There were also higher traffic management costs resulting from more stringent regulatory requirements, and increased project complexity. In addition, direct service provider rates have increased above inflation, further contributing to the rise in unit costs. Despite these pressures, overall expenditure remained below the regulatory allowance.

Governor net costs were £6.0m in 2025/26, increasing from £4.2m in 2024/25 and continuing the upward trend seen throughout RIIO-GD2. Despite this increase in expenditure, delivery volumes reduced from 315 units in 2024/25 to 202 units in 2025/26. This reflects bulk procurement of GRP materials to secure economies of scale, alongside additional scope arising from asset deterioration and HSE requirements. These factors increased the average cost per site, reducing unit delivery within the available budget. As a result, the programme was extended and re-sanctioned to deliver the expanded scope of works.

Other Capex costs were £20.9m this year, c.£2.1m under the allowance. The main drivers for this were:

- **c.£4.9m below the allowance on IT & Telecoms**, contributing to a cumulative GD2 underspend of **£14.1m**. The underspend reflects disciplined investment management, strong financial governance and the successful delivery of NGN's strategy to build and retain internal capability.
- A significant proportion of IT and cyber services are now delivered by employed colleagues rather than external consultants and contractors, enabling the development of sustainable in-house expertise, retention of critical business knowledge, and reduced reliance on higher-cost external resources. This approach has delivered material efficiency savings against original regulatory assumptions while continuing to provide the required IT, digital transformation and cyber security outcomes for the business.

- The lower level of expenditure therefore reflects the benefits of a more efficient delivery model and robust cost control, rather than any reduction in the scope, quality, resilience or capability of the services delivered.
- **c.£2.5m over on Pipelines & E&I** against allowance. A large proportion of the overspend was driven by increased delivery activity to complete previously delayed GD2 projects. The overspend reflects the timing of expenditure rather than an increase in overall programme scope, with the category remaining cumulatively £6.5m underspent against allowance across the GD2 regulatory period.

5.4 Repex

Costs and allowances

Repex Costs (2018/19 prices)	21/22 Actual	22/23 Actual	23/24 Actual	24/25 Actual	25/26 Actual	TOTAL Actual
Tier 1 - Mains	52.9	53.1	56.5	54.8	52.7	270.0
Tier 1 - Services	9.4	8.8	10.1	9.0	10.5	47.8
Tier 2A Mains and Services	1.6	2.4	0.2	0.5	0.0	4.8
Tier 2B Mains and Services	6.1	6.9	10.2	9.1	7.0	39.2
Tier 3 Mains and Services	3.4	3.4	6.6	6.1	4.0	23.4
<=2" Steel Mains and Services	6.6	4.7	5.0	5.6	6.1	28.0
>2" Steel Mains and Services	4.6	4.6	4.5	4.1	4.1	22.0
>30m Mains	1.4	1.0	2.6	2.9	1.6	9.5
Other Mains and Services	0.2	1.8	0.9	1.5	1.1	5.5
Diversions Mains and Services	7.3	1.9	0.6	1.1	0.8	11.8
Other Services (not mains assoc.)	6.1	5.2	5.2	5.6	5.1	27.2
Tier 1 Stubs	1.1	1.9	1.3	1.2	0.9	6.5
Risers	0.0	0.1	0.2	0.2	0.1	0.6
Total	100.7	95.8	103.8	101.8	94.0	496.1
Allowance	106.5	103.7	95.2	94.8	93.9	494.1
Variance	(5.8)	(7.9)	8.6	7.0	0.1	2.0
Cumulative Variance	(5.8)	(13.7)	(5.1)	1.9	2.0	

Table 11 – Repex Costs

The latest Repex allowance for RIIO-2 after Re-opener adjustments, volume drivers and Real Price Effect Updates is £494.1m. Repex costs across the full RIIO-2 period were £496.1m, a £2.0m (0.4%) overspend.

Repex costs were £94.0m this year, £0.1m higher than the allowance. Tier 1 workload delivery has remained the primary driver to our allowance overspend. During the year, we decommissioned 431.7km of Tier 1 mains against a RIIO-GD2 annual target of 437.3km. Although this represents an underperformance against the annual target, delivery over the RIIO-GD2 period exceeded the target by 72.3km for Tier 1 Mains.

Increases to delivery costs have been a key driver of cost increase in 2025/26 as Unit Costs across all Tiers are c£9 per metre above allowance. These increased costs are expected to continue into RIIO-GD3.

Tier 1 Stubs work has continued in the year at a cost of £0.9m, with no allowance, as Ofgem provided allowances for the first two years of RIIO-GD2 as the HSE policy was under review at the time, and so the volume and timing of work was uncertain.

It is now clear under HSE policy that we still have c.1,500 Tier 1 Stubs remaining to replace in RIIO-GD3. We will continue to replace these at a structured rate of c.500 each year with an expected completion of the programme by the end of Year 3 of RIIO-GD3.

In RIIO-GD2, we outperformed our targeted Iron Mains workload, delivering 103.3% of the target - an additional 72.3km above our allowed volume.

We anticipate Repex costs to further increase throughout RIIO-GD3 because of the factors highlighted in the year-on-year performance section below. The embedded and highly successful Direct Service Provider delivery model enables us to target further efficiencies across our Repex delivery model and wider end-to-end processes, but these efficiencies will be more than offset by cost pressures across direct delivery costs.

Mains Workload

Mains Workload (km)	21/22	22/23	23/24	24/25	25/26	TOTAL	ALLOWED
Tier 1	437.4	430.4	469.6	447.7	431.7	2,216.6	2,144.3
Tier 2a	3.2	1.6	0.8	0.5	0.0	6.2	10.1
Tier 2b	19.1	17.7	24.6	22.1	19.8	103.2	102.0
Tier 3	5.3	5.4	5.5	5.7	4.9	26.7	22.7
Iron Mains (ex. >30m)	464.9	455.0	500.5	475.9	456.3	2,352.7	2,279.2
Steel <2"	45.4	33.0	36.0	41.1	42.0	197.5	218.9
Other	35.8	31.0	40.2	41.8	36.9	185.7	189.8
Diversions	11.1	9.4	13.2	6.0	9.2	49.0	56.6
Total	557.3	528.4	590.0	564.8	544.4	2,784.8	2,744.4

Table 12 – Mains Workload

This year we have delivered a total of 544.4km of mains abandonment.

We abandoned 431.7km of **Tier 1 Mains**, which was 5.6km lower than our allowed annual target but 9.8km above forecast. The **Tier 1 Mains** target of 2,144.3km over RIIO-GD2, or 428.9km per annum did not include an increase of 8.5km each year, 42.5km over the 5 years, which allows recovery of the Covid-19 related workload shortfall seen in the final year

of RIIO-GD1. Furthermore, the additional workload delivered in RIIO-2 will provide less strain on delivery as we enter RIIO-GD3. Over RIIO-GD2 we delivered 2,216.6km, 72.3km more than our regulatory target. The increased workload was funded under the Tier 1 Mains volume driver.

There were no **Tier 2a Mains** identified in Year 5 as falling above the risk threshold trigger. Over the RIIO-GD2 period, we delivered 6.2km.

Tier 2b and **Tier 3 Mains** delivery exceeded the allowed workload. This was primarily driven by the need to maintain the safety and reliability of the network, as intervention on these ageing assets is required to ensure overall network risk remains at acceptable levels. We have no allowance in RIIO-GD3 for Tier 3 mains workload, but we will continue to assess the requirement for this work on a case-by-case basis.

As expected, we under delivered by 21km on **<2" Steel mains** workload over the price control. Volumes can vary as most of this mains type is replaced when we find it whilst replacing Tier 1 iron mains. The under delivery on decommissioned targets is due to a combination of the lay to abandon ratio used as part of RIIO-GD2 planning, and the volume of these mains found as part of Tier 1 replacement schemes.

Other Mains and Diversions work is difficult to predict, as the former includes poor performing PE and Asbestos, which we replace when it's found, and the latter is third party driven.

25/26 year-on-year performance

Year on Year (2018/19 Prices)	25/26		24/25	23/24	22/23	21/22
	Net Cost	Workload	Unit Cost	Unit Cost	Unit Cost	Unit Cost
Tier 1 and <2" Steel	57.5	459.5	125	124	122	126
Tier 2a	0.0	0.0	0	693	419	1056
Other	17.1	59.1	290	344	349	357
Diversions	0.8	6.9	118	148	65	192
Total Mains Laid	75.4	525.5	143	152	149	153
Tier 1 and <2" Steel	11.8	32,959	357	300	318	306
Tier 2a	0.0	0	0	0	318	299
Other	0.7	1,984	354	299	316	303
Diversions	0.0	105	357	302	321	307
Other Services	5.1	5,816	880	938	917	829
Total Services	17.6	40,864	431	389	394	387
All-in Mains Cost	93.0		177	182	179	183

Table 13 – Year-on-year Performance

In terms of year-on-year performance, unit costs have reduced, with the All-in mains cost decreasing from £182 per metre to £177 per metre. This reduction is primarily driven by a lower volume of higher diameter works and non-mandatory Tiers, coupled with a higher proportion of workload delivered using insertion techniques.

Tier 1 and <2" steel mains and the associated services, which on a combined basis is £146 per metre, c.£14 above the RIIO-GD2 allowance. There are several factors behind this increase in cost, and these are expected to continue throughout RIIO-GD3, these include:

- Inflation factors experienced across regional direct delivery costs that are higher than CPI-H and RPE factors applied to allowances. This directly impacts key direct costs such as – labour resources, materials, equipment and reinstatement.
- We are committed to maintaining our Strategy of delivering a balanced work programme which does not always result in the cheapest or most efficient work being delivered.
- Increased restrictions and requirements imposed by Councils resulting in significantly more Traffic Management and associated streetworks costs.

We expect these cost pressures to remain prevalent as we move into RIIO-GD3 alongside further cost pressures and engineering challenges that will most likely increase significantly towards the end of the Repex programme. We are committed to continuously improving and challenging how costs and workload can be best managed effectively to support efficient work delivery for customers and stakeholders.

6 Outputs and Incentives

6.1 Introduction

The adoption of an output and incentive-based framework is a key element of the RIIO regulatory contract. By defining the outputs companies need to deliver, and any incentives or penalties they will receive for over or under-performance, as well as setting cost allowances, companies are incentivised to innovate and deliver the services that customers require at the least cost. An outputs-based framework also provides greater transparency for customers and the networks, as to what services and standards the networks need to deliver.

Outputs for RIIO-GD2 are grouped into three consumer-facing output categories below:

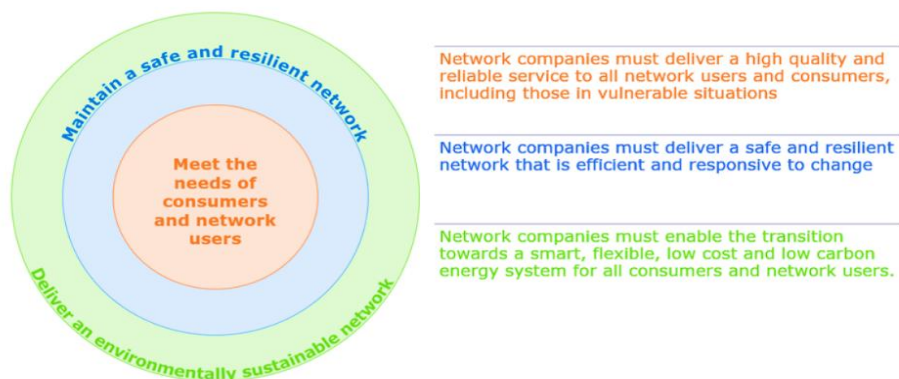


Figure 3 – Outputs for RIIO-GD2

There are three potential types of output, depending on what the ultimate aim of the output is. Some outputs fit into more than one type.

Price Control Deliverables (PCDs) specify the deliverables for the funding allocated, and the mechanisms to refund consumers if an output is not delivered (or not delivered to a specified standard). Their purpose is to hold the networks to account for delivering work

that has been funded through the expenditure allowances, and that they are only paid for what they deliver.

Licence Obligations (LOs) set minimum standards that network companies must achieve. Failure to deliver to these standards means the network is in breach of the licence and can receive a material fine and further sanctions.

Output Delivery Incentives (ODIs) drive service improvement through Reputational and Financial incentives. Network performance will either be rewarded or penalised financially or by reputation when compared against their own targets and those of the other companies.

6.2 Meeting the needs of consumers and network users

Consumer Vulnerability and Carbon Monoxide

Ofgem have introduced three outputs related to consumer vulnerability and carbon monoxide.

- The **Consumer Vulnerability Minimum Standards (LO)** which aims to retain and improve in some cases on the existing standards in a new Licence Obligation.
- The **Consumer Vulnerability Reputational Incentive (ODI-R)** aims to ensure there is focus on three key themes and six key metrics related to vulnerability and carbon monoxide (CO) awareness. This will ensure comparison and knowledge sharing between the gas networks.
- The **Vulnerability and Carbon Monoxide Allowance (VCMA)** is to allow the gas networks to provide bespoke services to support consumers in vulnerable situations and raise awareness of the dangers of CO. It takes the form of a Use-it-or-Lose-it Allowance. NGN has received an increased allowance of £19.7m over the price control (2018/19 prices) following a recent Ofgem decision to repurpose some of the Fuel Poor Network Extension Scheme (FPNES) allowance towards VCMA projects.

Consumer Vulnerability Reputational Incentive

2025/26 represented the final year of RIIO-GD2, with delivery focused on maximising impact and completing committed activity. Total VCMA spend reached £24.88m against an allowance of £24.91m (99.9% utilisation). Year 5 spend alone totaled £9.08m. The

programme delivered 108 projects with around 90 partners, reflecting a mature and extensive delivery network.

Key delivery characteristics in 2025/26:

- Focus on winter support and peak demand periods
- Expansion of Centre's for Warmth to 20 locations
- Growth in NGN-led delivery to ~67%
- Further targeting of underserved groups and geographies
- Improved financial reconciliation processes and reporting transparency

Key Performance Indicator	25/26
Customers reached through Carbon Monoxide (CO) awareness initiatives – this is now calculated on the agreed GDN rulebook, which has specific reach percentages according to the method of engagement.	6,552,468
Number of CO awareness visits / surveys with customers	24,442
Average score before awareness visit	6.03/10
Average score after visit	7.63/10
Number of customers referred onto the Priority Services Register (PSR)	15,835
Average customer satisfaction score for PSR customers directly impacted by NGN	9.36/10
Number of Fuel Poor Network Extension Scheme Connections	94

Full GD2 Performance (2021–2026)

Across the RIIO-GD2 period, NGN delivered a highly effective VCMA programme which evolved from early-stage foundations into a mature, evidence-led and strategically targeted portfolio addressing vulnerability, fuel poverty and CO risk.

Total investment across GD2:

- £24.88m total spend (nominal)
- 62% company specific / 38% collaborative
- ~99% utilisation of allowance

Performance Outcomes (GD2)

- 103,319 CO awareness visits
- 50,643 PSR referrals

- 228,269 customers receiving energy advice
- 98 million+ campaign reach
- £32.3m customer financial savings

Programme Evolution Across GD2

The VCMA programme progressed through distinct phases: foundations (2021/22), crisis response (2022/23), strategic expansion (2023/24), consolidation (2024/25) and transition to sustainability (2025/26). This reflects increasing maturity, stronger targeting and greater integration with health, financial and community support services.

Tiered Delivery Model

The programme adopted a structured three-tier model: Tier 1 (intensive support), Tier 2 (preventative advice) and Tier 3 (mass awareness). Across GD2, spend was broadly balanced at 43% Tier 1, 39% Tier 2 and 18% Tier 3, supporting both depth and scale of impact.

Strategic Impact

NGN delivered a holistic vulnerability strategy combining energy, health and financial support. Key initiatives included Centre's for Warmth, Services Beyond the Meter, and collaborative programmes such as Warm Homes Healthy Futures. This enabled both crisis response and long-term resilience building.

Stakeholder Insight and Future Direction

Stakeholder engagement throughout GD2 highlighted increasing demand, sustained cost-of-living pressures and the importance of sustainable, place-based delivery models. These insights have directly informed GD3 planning, with a focus on prevention, partner resilience, and improved targeting of underserved communities.

NGN has delivered a high-performing VCMA programme across GD2, achieving strong financial performance, measurable social outcomes and broad stakeholder alignment. The final year of GD2 demonstrated maturity in delivery and provides a strong platform for GD3, with a continued focus on sustainability, scalability and impact.

Case Study: Centres for Warmth – Winter Support

In the final year of RIIO-GD2, Centre's for Warmth played a critical role in helping vulnerable households manage the impact of rising energy costs and cold weather. Additional VCMA funding enabled partners to extend opening hours, increase weekend provision and deliver targeted winter support through warm spaces and practical assistance. Over 5,000 households benefited from enhanced support, with many accessing services during periods of peak demand such as weekends, severe weather events and the festive season. The provision of winter warmer packs and hot meals helped address immediate hardship while creating trusted environments where individuals could seek wider support. Importantly, Centre's for Warmth acted as a gateway into broader services, including energy advice, Priority Services Register sign-up, debt support and wellbeing services. Partners reported increased engagement and stronger community connections, with one describing the impact as providing warmth, food and a sense of belonging when it was needed most. This model demonstrates the value of place-based, preventative support.

Case Study: Citizens Advice Northumberland – Fuel Poverty and Financial Resilience

Through NGN's VCMA-funded partnership with Citizens Advice Northumberland, vulnerable households received holistic support addressing energy affordability, debt and financial vulnerability. One customer, living alone in a poorly insulated all-electric property, had accumulated significant energy debt following a transition to Universal Credit. With limited income and multiple health conditions, the customer faced unsustainable repayment demands and ongoing financial instability. A dedicated case worker completed a full assessment, liaised with the energy supplier, and secured over £3,000 in financial support, including grants and adjustments to billing arrangements. A long-term, manageable repayment plan was established, alongside referrals for additional benefits advice to maximise income. The customer also received guidance on energy efficiency and carbon monoxide safety. Follow-up support ensured issues were resolved when incorrect deductions arose, reinforcing trust and stability. This case demonstrates the value of integrated, person-centered support in addressing multiple drivers of fuel poverty while improving long-term resilience and wellbeing outcomes for vulnerable households.

Case Study: Farming Community Network – Rural and Hard-to-Reach Communities

The partnership with the Farming Community Network was designed to address gaps in support for rural and farming communities, where isolation, limited service access and lower awareness of available support can increase vulnerability. Through targeted engagement, NGN and FCN delivered tailored advice on energy efficiency, carbon monoxide safety and access to financial support. Face-to-face engagement at events and community locations proved particularly effective in building trust and reaching individuals who may not otherwise engage with formal services. In one instance, a conversation at a rural event highlighted the personal impact of carbon monoxide risks, prompting increased awareness and subsequent engagement with support services. Across the programme, thousands of individuals received advice, with many also signing up to the Priority Services Register. The project demonstrated the importance of trusted intermediaries and culturally relevant engagement approaches in reaching underserved groups. It also reinforced the need for tailored delivery models in rural areas to ensure equitable access to support and improved long-term energy resilience.

Case Study: Services Beyond the Meter – Intensive Intervention and Safety Outcomes

Services Beyond the Meter interventions provide intensive, life-changing support for customers facing complex vulnerability. In one case, an elderly customer living alone in unsafe conditions required urgent intervention following the identification of multiple hazardous appliances and failing gas infrastructure. With limited support networks and recent health challenges, the customer faced significant risk. NGN engineers undertook a full assessment and determined that the most appropriate solution involved complete replacement of pipework, installation of a new central heating system and fitting of a safe, modern boiler. The work required multiple visits and careful engagement to build trust and secure agreement due to the scale of disruption. Throughout the process, the customer was supported to understand the benefits and safety improvements. The outcome ensured the household was safe, warm and better equipped for the future. This case highlights the importance of in-depth Tier 1 support and the role of NGN in delivering holistic, customer-centered interventions that go beyond emergency response.

Carbon Monoxide (CO) Safety

CO awareness remained a core element of NGN's VCMA delivery throughout GD2, balancing large-scale reach with increasingly targeted, high-impact interventions. In 2025/26, NGN delivered **24,442 CO awareness visits**, exceeding the annual target of 10,000 and continuing a steady upward trend from 17,995 in 2021/22. These visits consistently improved customer understanding, with knowledge increasing by **27% on average**, and post-visit awareness scores improving to **7.63/10**, demonstrating strong, sustained behavioural impact.

Across GD2, CO campaigns delivered significant reach, peaking in 2023/24 and 2024/25 before reducing to **20.6 million customers in 2025/26**, reflecting a deliberate shift in strategy.

This reduction was driven by a **rebalancing of VCMA spend towards Tier 1 and Tier 2 support**, focusing on fuel poverty and priority customer needs during the cost-of-living crisis, while maintaining strong CO outcomes. Importantly, NGN continued to maintain meaningful impact, with **6.55 million customers estimated to take action following CO awareness activity in 2025/26**, using the GDN rulebook methodology.

At the end of GD2, CO activity accounted for **12% of total VCMA spend**, demonstrating a proportionate, evidence-led allocation of resources aligned to stakeholder priorities.

Overall, CO performance across GD2 reflects a mature programme that has evolved from large-scale awareness campaigns to a more targeted, insight-led model—maintaining reach while increasing depth, effectiveness and alignment with customer need.

Case Study: Targeted CO Awareness through Community Engagement

NGN's targeted CO awareness activity has demonstrated the value of combining large-scale campaigns with local, face-to-face engagement. In 2025/26, a growing proportion of delivery was embedded within wider VCMA projects, ensuring that CO messaging reached customers already experiencing vulnerability. Through partnerships and operational activity, awareness visits became part of routine support, enabling more meaningful interactions tailored to individual circumstances.

During one engagement initiative, CO awareness was delivered alongside energy advice and support services, allowing customers to understand both immediate risks and longer-term actions. Customers reported improved confidence in identifying CO risks and responding appropriately, reflected in the consistent improvement between pre- and post-visit awareness scores. Across GD2, this approach contributed to sustained increases in knowledge and behaviour change, with average awareness gains of around 27%.

This case illustrates how NGN has moved towards a more integrated, preventative model—embedding CO safety within broader vulnerability support to maximise both reach and real-world impact

Providing additional support to complement VCMA

Sitting alongside the VCMA, we have two unique funds specific to NGN that serve to complement and strengthen the support we can provide to those customers in most need. These are 100% shareholder funded and together we committed to investing a minimum of £1m over the 5-year RIIO-GD2 period.

Community Partnering Fund (CPF)

The Community Partnering Fund (CPF) provides seed funding to grassroots community organisations that support customers in vulnerable situations. Successful projects can then progress to VCMA funding, enabling them to scale and extend their reach.

Key achievements across GD2:

34 Grassroots community partners funded

7 Projects evolved into VCMA

Customer Support Fund (previously named Hardship Fund)

The Customer Support Fund (CSF) provides an annual commitment of £150k to support customers in vulnerable situations where other funding sources, including the VCMA, cannot be used. While smaller in scale than the VCMA, the fund offers greater flexibility and enables us to respond in ways that deliver meaningful and lasting benefits. In many cases, it complements the wider support and services provided by NGN.

NGN has committed additional funding to the CSF through revenue recovered from Unbilled (Theft of Gas), helping more households to benefit from the support available. We are the first GDN to use unbilled energy revenue in this way, and this approach has enabled us to support numerous additional households over the last three years.

Key achievements across GD2:

- £393K Fund uplift from Unbilled Energy
- 9,347 Households supported with enhanced GSOP payments
- 80 Vulnerable households supported with first time central heating

Fuel Poor Network Extension Scheme (ODI-R) (Capped Volume Driver)

Outputs	21/22	22/23	23/24	24/25	25/26	TOTAL	Cap	Variance
Fuel Poor	854	185	102	108	94	1,343	2,154	(811)

Table 15 – FPNES Summary

The purpose of the Fuel Poor Network Extension Scheme (FPNES) is to help tackle fuel poverty by supporting off-grid, fuel poor households to connect to the gas network.

Our updated cap is to connect a maximum of 2,154 fuel poor households in RIIO-GD2. This is subject to a volume driver to ensure we only get paid for the number of connections we deliver up to this volume.

In 2025/26 we delivered 94 FPNES connections. The FPNES is concluding at the end of GD2.

6.2.5 Customer Satisfaction Surveys (ODI-F) EB

Outputs	21/22	22/23	23/24	24/25	25/26	Average
Unplanned Work	9.54	9.62	9.65	9.65	9.66	9.62
Planned Work	9.09	9.06	9.02	9.10	9.11	9.07
Connections	8.96	9.13	9.12	9.16	9.19	9.10
TOTAL	9.20	9.27	9.26	9.3	9.32	9.26
Incentive (£m 2018/19 prices)	1.4	1.6	1.6	1.7	1.7	1.6

Table 16 – Customer Satisfaction Surveys

The purpose of the Customer Satisfaction Survey (CSS) is to ensure GDNs maintain good customer service and reward GDNs that deliver exceptional performance. The CSS itself involves interviewing customers based on three types of interaction that they have had with the network – connections, unplanned interruptions, and planned interruptions.

Ofgem has set separate targets and rewards/penalties for each type of interaction, with each category weighted equally. Each category also has a deadband within which no reward/penalty is applied. The overall reward/penalty is capped at 0.5% of Base Revenue. This is summarised in the table below.

Outputs	Weight	Max Penalty Score	Penalty Score	Reward Score	Max Reward Score
Connections	33.33%	7.43	8.11	8.65	9.33
Planned Work	33.33%	7.90	8.34	8.69	9.13
Unplanned Work	33.33%	8.85	9.00	9.43	9.58

Table 17 – Customer Satisfaction Rewards and Penalties

Customer service performance remained consistently strong throughout 2025/26 and the full RIIO-GD2 period, with NGN sustaining high customer satisfaction scores and delivering stable financial performance under the Customer Satisfaction Survey (CSS) Output Delivery Incentive. In 2025/26, NGN achieved an overall satisfaction score of **9.32**, maintaining the same high level as 2024/25 and continuing the upward trajectory seen across GD2. Performance was consistently strong across all three CSS components, with **unplanned work scoring 9.66, planned work 9.11 and connections 9.19**, demonstrating reliable and improving delivery across core operational services.

Across the full GD2 period, the average customer satisfaction score was **9.26**, reflecting a sustained, high-performing customer service model. Financial rewards under the ODI mechanism also improved year-on-year, increasing from £1.4m in 2021/22 to **£1.7m in 2025/26**, evidencing consistent outperformance against Ofgem targets and strong alignment with incentive thresholds.

This performance has been achieved despite significant external pressures, particularly the ongoing cost-of-living crisis, which has increased the complexity of customer needs. NGN has responded proactively by broadening its support offer, including enhanced use of

Services Beyond the Meter, improved referral pathways and stronger integration of customer support into frontline delivery.

6.2.6 Complaints metric (ODI-F)

The purpose of the Complaints Metric is to ensure that GDNs maintain good performance in their handling of complaints. The metric is a composite score calculated as the sum of each GDN's performance against four weighted indicators outlined in the table below. The lower the score, the better the GDN is at resolving complaints.

Indicator	Weighting
Percentage of complaints unresolved after one working day (1WD) of receipt	10%
Percentage of complaints unresolved after 31 working days (31WD) of receipt	30%
Percentage of repeat complaints	50%
Percentage of Energy Ombudsman findings against the GDN	10%

Table 18 – Customer Complaints Metrics

The complaints metric has stayed the same as RIIO-GD1, but the threshold for penalty has reduced from 11.57 in RIIO-GD1 to 5 in RIIO-GD2.

Outputs	21/22	22/23	23/24	24/25	25/26	Average
Complaints Metric	2.8	1.8	1.9	1.39	1.84	-
Target	5.0	5.0	5.0	5.0	5.0	5.0
Penalty (£m 2018/19 prices)	-	-	-	-	-	-

Table 19 – Customer Complaints Summary

Complaints performance has also remained robust across GD2, with NGN consistently outperforming the Ofgem penalty threshold of 5.0.

In 2025/26, NGN handled **1,201 complaints**, achieving a **5.8% reduction** compared to 2024/25 and meeting the internal target of reducing complaint volumes year-on-year. The overall complaints metric score was **1.84**, remaining well below the penalty threshold and indicating effective complaint resolution processes.

Over the GD2 period, complaints performance has improved significantly, with the metric reducing from **2.8 in 2021/22 to a low of 1.39 in 2024/25**, before a modest increase in

2025/26.

This increase reflects a slight deterioration in D+1 resolution performance, linked to the reduced overall complaint volumes, which can make maintaining high early resolution rates more challenging.

However, performance across other elements of the metric, including D+31 resolution, repeat complaints and Ombudsman outcomes, remained strong and continue to demonstrate effective end-to-end complaint handling.

NGN has maintained a dual focus on both reducing complaint volumes and improving resolution performance, supported by root cause analysis, trend monitoring and continuous process improvements. Looking ahead to GD3, further enhancements have been implemented, including improvements to customer data systems, the introduction of MPRN-level reporting for vulnerable customers, and increased transparency through the publication of complaints data on the Open Data Portal.

Overall, NGN has delivered a high-performing and resilient customer service model throughout GD2. The combination of sustained high satisfaction scores, consistent financial rewards and improving complaints performance demonstrates a mature approach to customer experience. As NGN transitions into GD3, the focus will remain on maintaining these high standards, embedding continuous improvement and ensuring that customer service delivery continues to respond effectively to evolving customer needs

6.2.7 Guaranteed Standards of Performance (GSOPs)

GSOPs	21/22	22/23	23/24	24/25	25/26
Paid Out	£0.68m	£0.42m	£0.35m	£0.25m	£0.36m

Table 20 – GSOP Payments

GSOPs set common minimum performance standards for GDNs across the service areas of interruptions to supply, gas connections and customer service. If the GSOPs are not met, NGN must pay compensation to customers. There are 14 GSOPs that NGN must monitor and report performance against in RIIO-GD2, consistent with RIIO-GD1.

The GSOPs regime has changed materially from RIIO-GD1 to RIIO-GD2 with many of the standards seeing reduced timescales, increased payment values and proactive rather than

reactive payments. We supported this approach in our business plan. The change has impacted processes within NGN and Xoserve and the response has been positive with the intended improved outcomes for customers. In total, payments totalled £0.358m in 2025/26 and an average in GD2 of £0.412m per year.

For Connections GSOPs, we have continued to achieve results significantly above our regulatory target of 90%. GSOPs 4 to 9 achieved over 99%, GSOP 10 achieved 100% and GSOP 11 achieved 98.4%.

6.2.8 Emergency response time (LO)

Outputs	21/22	22/23	23/24	24/25	25/26
One Hour Response	99.75%	99.55%	99.81%	99.90%	99.90%
Two Hour Response	99.95%	99.69%	99.93%	99.99%	100%
Target	97%	97%	97%	97%	97%

Table 21 – Emergency Response Time

The purpose of the emergency response time licence obligation is to ensure GDNs respond to 97% of reported gas escapes within one hour when they are uncontrolled, and within two hours when they are controlled. Performance against both these targets can be adversely affected by large incidents or very severe winter weather conditions.

This year we achieved 99.90% and 100% for our one-hour and two-hour response respectively. Achieving this standard is a core target for our network and receives day to day focus from our operational teams, in particular in the key winter periods.

6.2.9 Unplanned interruptions (ODI-F)

Outputs	21/22	22/23	23/24	24/25	25/26
Actual	5.38 hours	5.44 hours	5.31 hours	4.23 hours	4.31 hours
Minimum Performance Level	10 hours	10 hours	10 hours	10 hours	10 hours
Excessive Deterioration Level	17.5 hours	17.5 hours	17.5 hours	17.5 hours	17.5 hours

Table 22 – Unplanned Interruptions

The purpose of the unplanned interruptions financial output delivery incentive is to ensure that GDNs manage the duration of these interruptions appropriately and performance does not deteriorate. An unplanned interruption is one where no prior notification has been given to the customer. These are typically caused by problems with the network assets

(upstream of the Emergency Control Valve), damage to assets by third parties, and water ingress.

The incentive is penalty only, with a collar of 0.5% of Base Revenue. Each GDN has an individual Minimum Performance Level (MPL), representing the point at which a penalty will be incurred, and an Excessive Deterioration Level (EDL), where the maximum penalty will be incurred. The penalty will increase linearly between these two levels.

This GD2 average duration was 4.93 hours for 10559 interruptions, which compares favourably to the RIIO-GD1 average of 6.6 for 12,488 interruptions. The duration of interruptions is very dependent on factors such as location, ground conditions, and extreme weather conditions.

6.2.10 Data Best Practice and our Digitalisation Strategy and Action Plan (LO)

The purpose of the **Data Best Practice** licence obligation is to ensure the delivery of a digitalised energy system that will maximise the value of data for consumers. Ofgem own and publish a Data Best Practice Guidance document which defines the data that we must comply with and then details a principles-based compliance approach. This document was published on 15 November 2021 and has been adopted by NGN. As active members of the Data and Digitalisation Steering Group (DDSG) representing energy distribution and transmission companies, NGN have engaged with Ofgem, BEIS (at the time) and other key stakeholders to help shape the guidance and to promote its consistent application. NGN chairs a sub-group of the DDSG on Data Interoperability.

The purpose of the **Digitalisation Strategy and Action Plan** (DSAP) licence obligation is to ensure GDNs work to make better use of Energy System Data and digital technologies to generate value for customers and stakeholders. This could include delivering a more efficiently planned, maintained and operated energy system, with users having greater information and insight.

Under the licence obligation GDNs are required to publish and seek feedback on:

- An updated Digitalisation Strategy at least once every two years.
- An updated Digitalisation Action Plan at least once every six months.

NGN's latest Action Plan can be found. [NGN Digital Strategy](#)

6.3 Maintain a safe and resilient network

Repex - Tier 1 Mains and Services (PCD)

Outputs	21/22	22/23	23/24	24/25	25/26	Total	Target
Mains	437.4	430.4	469.6	447.7	431.7	2216.6	2144.3
Services	30,220	28,688	31,929	30,131	29,361	150,329	147,469

Table 23 – Tier 1 Mains and Services

The purpose of the Tier 1 mains and Tier 1 services PCDs is to fund the workload delivered under the Tier 1 replacement programme. Both PCDs contain an Allowance Adjustment Mechanism that ensures consumers only fund the volume and mix of work delivered, subject to an upward cap to limit the amount of any over delivery. Over RIIO-GD2 we have delivered an average of 443.3km of Tier 1 mains per year in broadly the same workload mix contained within our business plan. This is an increase of 14.6km each year and 72.3km over the 5 years. This will allow us to recover the Covid-19 related shortfall of workload seen in the final year of RIIO-GD1 by the end of the Repex programme in 2032. This is below the 3% cap for mains workload and is therefore funded through allowances.

This increase in mains also drives an increase in services, where we have delivered 2,860 extra over the 5 years, 572 per year. This is below the 10% cap for services.

Gasholder demolitions (PCD)

Outputs	21/22	22/23	23/24	24/25	25/26	Total
Actual	5	10	5	3	-	23
Target	9	5	5	3	1	23
Cumulative Out / (Under)	-4	5	-	-	-1	0

Table 24 – Gasholder Demolitions

The purpose of the Gasholder Demolition PCD is to fund the removal and decommissioning of gasholders. These assets are no longer required to operate the network, present a safety risk and require maintaining whilst still in situ.

In 2024/25, we successfully removed the final three gasholders, completing the RIIO-GD2 programme one year ahead of schedule.

Capital Projects Price Control Deliverable (PCD)

The purpose of the Capital Projects PCD is to hold the networks to account for the delivery of specifically funded capital investments. NGN has two such projects, discussed below.

TransPennine Rail Electrification – this is the largest area of expenditure on our LTS assets in RIIO-GD2 and involves work at 4 separate locations. NGN proposed this project should be a PCD as we are not driving the work, location or timing, and so the final costs are uncertain.

The LTS asset diversions required as part of the Network Rail Trans-Pennine Upgrade (TRU) project are at varying stages due to the progress of each respective scheme (East and West).

Heaton Junction - The Heaton Junction works involved diversion of two high-pressure pipeline assets (1# 600NB and fully funded by Network Rail and 1# 450NB that NGN contributed towards). Both were to accommodate railway infrastructure changes associated with TRU. The work was physically completed during RIIO-GD2, with final close-out documentation and as-built records completed through normal project close-out processes.

Ravensthorpe - At Ravensthorpe, the original diversion requirement was revised to a plant protection solution due to land constraints and mining risks. The revised approach avoided the need for a full diversion while continuing to protect NGN assets from the railway works. Delivery of the protection solution was delayed by third-party mining remediation and site constraints but is now complete.

Ridge Road - Ridge Road represents a significant high-pressure diversion of the existing 600NB pipeline, involving complex trenchless crossing activity and associated shaft, tunnel, mechanical and reinstatement works. The scheme was substantially completed during RIIO-GD2, with final close-out activities to be evidenced as part of completion reporting.

Austhorpe Lane - Austhorpe Lane progressed through design, access, procurement and delivery planning during RIIO-GD2. Construction completion has moved into RIIO-GD3 because of technical, access, land and railway programme dependencies. Two # 18m shafts were completed in GD3, and the 1200mm tunnel crossing has commenced.

The GD2 cost for TransPennine schemes is c.£10.2m with a further forecast spend of c.£4.4m in 26/27 compared against the PCD value of £19.1m.

A Basic PCD Report with further detail on this project has been submitted as part of NGNs Licence Conditions.

Overcrossings – we build these assets when our below-ground pipes cross natural or man-made obstacles such as rivers, canals, roads and railways. We have a total of 375 overcrossings throughout our network. If an overcrossing fails, we risk an explosion, loss of supply, and methane leakage. There is also a security risk should a member of the public access the site and fall from the pipework (such an incident happened with another GDN network in RIIO-GD1).

Under this PCD we have a target to remediate 45 overcrossings known to have extreme deterioration in asset condition and carry out security upgrades at 63 overcrossings for £8.14m over RIIO-GD2.

In Year 5, we completed 18 condition upgrades, 1 removal and 15 security upgrades.

The total cost incurred to date is c.£6m against a PCD value of £8.1m. There has been a reduction in Capex cost of c.£1m, as we took efficient engineering and delivery decisions to remove rather than maintain overcrossings.

Across GD2, NGN delivered 113 units against a planned delivery of 108 units across the overcrossings programme. Delivery exceeded the overall planned unit volume, although the mix of outputs differed from the original breakdown, primarily due to the delay in starting six complex Network Rail overcrossings. Delivery includes 63 security upgrades against a GD2 target of 63, 4 rail condition upgrades against a target of 10, and 46 general overcrossing condition upgrades (including 9 overcrossing removals) against a target of 45.

Remaining Network Rail overcrossings will be intervened on in GD3, and further information can be found in the Overcrossings Basic PCD Report.

Cyber resilience IT and OT (PCD)

The purpose of the Cyber Resilience Information Technology (IT) and Operational Technology (OT) PCD allowance is to support NGN in managing risks associated with the security of its information and operational technology. The funding seeks to:

- Reduce the likelihood of security incidents occurring
- Minimise the impact of security incidents that have occurred
- Improve the continuity of gas distribution services whilst operating in cyber-affected states
- Support wider business objectives such as digitalisation and net zero initiatives

This work is business critical and sensitive in nature so is not considered in detail here. We received funding for use across the first three years of RIIO-GD2. Funding was not provided for the later years due to the increasingly uncertain nature of the risks and hence the funding required.

Job completion lead-time including re-instatement (ODI-R)

Outputs	21/22	22/23	23/24	24/25	25/26
Total completed Jobs	1,174	1,284	1,069	1,086	1,192
% Completed within target	57.6%	82.3%	91.1%	93.7%	93.93%

Table 25 – Job Completion Lead-times Including Re-instatement

This output requires NGN to complete works for a connection or service alteration at sites where flow rates are below 275kWh per hour within 20 working days of payment. The RIIO-GD2 target for NGN is to ensure this is achieved 45% of the time by the end of the price control. Overall performance in GD2 improved significantly, increasing from 31% in GD1 to 93.93%, representing an improvement of 62.93 percentage points

This year we exceeded the target, completing 93.93% of works within 20 days, a continual improvement on the 93.7% performance in 2024/25. The target was formally embedded within our workforce planning activities and our Totex operating model ensured resource was available to significantly improve performance.

Multi-Occupancy Building Record Keeping (BAU)

In RIIO-GD2, we continued to ensure our approach to multi-occupancy buildings is consistent with best practice. We do not expect any significant developments or issues to occur that would impact our record-keeping related to Multi Occupancy Building (MOB) assets, however we will continue to monitor and adapt as more information arises.

In Year 5 the 3-5 storey riser population grew as we continued the programme beginning in Year 2 to identify and survey our 'medium rise' (3-5 storey) asset population. We anticipate this figure will continue to rise as we progress further. While in previous years we have had a full view of 'high rise' (6+ storey) population, our data for lower rise buildings has been more limited.

There was no decline in the 10+ storey riser population in year 5 as no buildings were converted / demolished. However, we anticipate a continued decline in GD3 as local authority / housing associations continue to convert tower blocks to use alternative heating sources or initiate their demolition.

An app is under development to replace the existing paper-based survey forms, which will improve data capture through in-built validation rules.

6.4 Deliver an environmentally sustainable network

Shrinkage and environmental emissions (ODI-F and ODI-R)

The purpose of the shrinkage and environmental emissions ODI is to incentivise the gas networks to reduce shrinkage and leakage gas volumes.

Shrinkage gas includes gas illegally taken by third parties, own use gas the networks use primarily for pre-heating gas at locations where the gas moves from one pressure tier to the next, and leakage gas. The reputational ODI covers all of shrinkage gas.

During 2025/26 our overall Shrinkage gas volumes were 257.27 GWh, we were unsuccessful in reducing our overall shrinkage volumes when compared to the forecasted 2025/26 overall Shrinkage Gas volumes of 240.87 GWh, a difference of 16.4 GWh. This was due to a large interference damage incident caused by an independent third party of 20.19 GWh.

The full impact of the incident was reduced due to a consistent performance in average system pressure which achieved a network total of 30.89mbar. Daily MI has allowed us to target efforts in the areas which matter most resulting in a consistent average system pressure performance. There has been a continued targeted effort in increasing our MEG saturation levels. We have increased our filling and sampling levels, improved our routes, and developed internal performance league tables which has continued to drive our

saturation levels in an upwards direction. Along with the continued performance of the mains replacement programme which has mitigated the full impact of the incident.

This outcome can be seen in our assessment of our current performance against the financial ODI that covers leakage associated with average system pressure and gas conditioning levels. With the continued improvement in average system pressures, the pressure element of the ODI is now an incentive. In 2025/26, we have seen an outperformance in Average System Pressure, and we have shown a continued outperformance in MEG Saturation.

Overall, our Shrinkage Gas volumes were 6.99 GWh's higher than the 2024/25 Shrinkage Gas volumes of 250.28 GWh's.

Environmental Incentive £m, 18/19 prices	21/22	22/23	23/24	24/25	25/26	Total
Environmental Emissions	(0.3)	0.4	0.5	0.4	0.5	1.5

Table 26 – Environmental Incentive

Commercial Fleet EV Price Control Deliverable (PCD)

The purpose of the Commercial Fleet Electric Vehicle (EV) PCD is to support the networks in converting their vehicle fleets to EVs or other zero emission equivalents. The base Totex allowance includes funding for updating the network vehicle fleets. The funding in this PCD relates to the incremental cost of purchasing an electric vehicle in place of an equivalent internal combustion vehicle. While the unit costs are for vehicles and infrastructure based electric vehicle data, the PCD allows equivalent zero-emission vehicle types, such as hydrogen, to be substituted for an EV where this is efficient. The PCD is also subject to a volume driver which adjusts the five-year allowance to reflect the actual volume and mix of EVs delivered over the price control.

NGN's PCD includes replacing 146 small and medium vans with EVs and installing 182 electric vehicle charging points.

The above figure has since been revised due to the constraints and challenges with implementing a full electric emergency response fleet, throughout RIIO-GD2 we aim to replace 10 small and medium vehicles with EV and install 53 charge points, including home charging support.

Our plan was to begin installing the EV charging points in the first year of RIIO-GD2 and to purchase 2 EVs to fully trial and understand the impact on operations of adopting EVs. However, the Covid-19 pandemic delayed the preparatory work needed to deliver this. A successful tender exercise was completed in 2022, where we appointed an EV charger supplier. Once we completed all the required surveys to ensure our offices and depots have the necessary electrical capacity to support the EV charging points, along with securing local DNO approval we have since installed 43 electric vehicle charge points across our operational depots and offices. These EV charge points will support charging of battery electric vans and encourage more colleagues to make that switch from an internal combustion engine to a full battery electric car for both personal and business travel.

After an extensive search of the market in earlier years of RIIO-GD2 for a fit for purpose battery electric van NGN ordered a batch of 10 battery electric medium vans EVs in May 2024 to fully trial across the network within the First Call Operative emergency response role. Delivery dates were subject to supply chain issues and manufacturer delays with vehicle deliveries finally made in May 2025. Where possible NGN utilised existing home charging points and where required installed home charging points utilising the AllStar Homecharge platform for direct energy payments eliminating out of pocket expenses for end users. Solely using public infrastructure would have significantly impacted the engineer's productivity. Trials commenced throughout the remainder of RIIO-GD2 with feedback highlighting mileage range when laden to real world operation reduced by 20%, further reducing in colder winter months dropped an average 37%, max 42%, (manufacturers range of 200mile, real world winter conditions 116 – 135mile range), rural areas of our network has minimal (typically no) charging infrastructure which hindered the engineers whilst attending to support on incidents, along with setting up home charging infrastructure challenges. (it has taken NPg 12months to carry out upgraded works to an NGN engineers residential incoming supply before we could install a charge point). Further orders may be placed in RIIO-GD3, subject to suitability assessments and availability of vehicles with increased ranges. The range of EV medium and large vans needs to significantly increase alongside the increase of rapid charging infrastructure in more semi and rural areas of our network

Environmental action plan and annual environmental report (ODI-R)

The purpose of the Environmental Action Plan (EAP) and Annual Environmental Report (AER) is to ensure that GDNs take responsibility for the environmental impacts arising from their networks and are transparent in what they are doing to mitigate these. It aims to support the delivery of environmental outcomes and encourage greater environmental ambition.

The EAP included workload targets for three key Land Remediation activities:

- On-going periodic condition reviews for all 148 sites within the portfolio to ensure conditions remain stable and existing environmental risk assessments remain valid.
- Environmental monitoring works at up to 9 sites and intrusive survey works at up to 7 sites to confirm site conditions and refine the existing environmental risk assessment.

This year we completed the above activities across 75 sites, outperforming our EAP target (71). This included intrusive land contamination survey work at three of the sites (Cleator Moor, Cumbria; Low Moor Bradford; and Airedale Road, Keighley – all former gasworks sites), and environmental sampling at 10 of the sites to update the environmental risk and potential liability. In addition, site inspections were completed at 60 sites to ensure their conditions remain stable and the existing risk assessments remain valid. Some sites saw more than one work activity. During RIIO-GD2 we have completed monitoring and maintenance activities across a total of 317 sites against our RIIO-GD2 commitment of 292.

- Remediation works at up to eight sites where we have identified potentially non-compliant conditions, or where remediation would deliver environmental betterment to reduce the long-term contamination risks associated with the sites.

During 2025/26 bespoke remediation works were successfully completed at a further seven of our sites situated on former gasworks land, building on the two projects completed during 2024/25. As a result, we have outperformed our EAP target of eight remediation projects during the RIIO-GD2 period. The remediation projects completed during 2025/26 comprised:

- Hendon and Keighley: recovery of coal tar from infilled former gas holder tanks using solar powered pumping techniques.

- Bingley: pumped recovery of coal tar from an infilled former tar tank and installation of an engineered capping layer to address shallow soil contamination.
- Bradford, Brighouse, Halifax and Shelley: targeted contaminated soil hotspot removal and backfilling with suitable-for-use recycled materials, ensuring the sites are maintained in a compliant condition.

Collectively, the seven projects removed and safely disposed of over 100,000m³ of hazardous liquid coal tar and 500 tonnes of contaminated soil, thereby delivering permanent environmental betterment. These projects were also completed without receipt of any complaints from neighbouring properties.

The outperformance against our RIIO-GD2 EAP targets has been delivered for less than our regulatory funding allowance for this workstream. This has been achieved by detailed project design, planning and scheduling; maximising opportunities to co-deliver land remediation projects with other NGN projects to drive efficiencies; and effective and competitive procurement via our established frameworks of expert consultants and contractors.

Full details of our performance against our **Environmental Action Plan** initiatives will be provided in our **Annual Environmental Report** which will be published by 1 October 2026. A summary of the key actions we have taken during 2025/26 is provided below:

- Company car fleet – continues to be hybrid, plug-in hybrid or battery electric vehicles only. Our colleagues can also take advantage of an electric and hybrid vehicle leasing salary sacrifice scheme to enable them to make sustainable vehicle choices. Our programme of installing EV chargers at our office and depots is complete, providing infrastructure for charging company and colleague electric vehicles.
- Renewable energy – we have installed rooftop solar power generation at eight of our offices and depots to produce our own zero carbon electricity. During 2025/26, we generated 343 Mwh of renewable electricity at our premises.
- In partnership with the White Rose Forest, Humber Forest and Community Forest Trust our shareholders directly funded the planting of 5,100 trees and 450m of new hedgerow to directly tackle poor urban air quality in our region. This means during RIIO-2 to date we have funded the planting of 57,880 urban trees in our region, already outperforming our RIIO-GD2 target of 40,000 trees by 45%.
- Homes for Nature – we achieved our end of RIIO-GD2 target of improving conditions at 250 NGN infrastructure sites to encourage biodiversity. This was achieved through a

mixture of installing habitats such as bat and bird boxes and bug hotels, creating hibernacula from felled vegetation and changing our landscape management procedures.

- Zero excavation spoil disposal to landfill (0.0%) for the third year running thereby achieving our end RIIO-GD2 target of <0.1% disposal to landfill. Virgin aggregate use in reinstatement remained similar to the previous year (4.4% compared to 3.9% in 2024/25) and less than half of the end of RIIO-GD1 period, however exceeded our end of RIIO-GD2 target <2.5%. Unfortunately, we face significant recycled aggregate supply constraints in parts of our region, most notably Cumbria, which distorts our performance. Our virgin aggregate usage performance for all of our areas excluding Cumbria is 2.1% which is below our end of RIIO-GD2 target.
- Awareness and understanding – we continued a programme of delivering environmental training to our colleagues on topics including carbon and climate.

Section 6.4.2 above provides details of our actions taken during 2024/25 to achieve our Commercial Fleet EV Price Control Deliverable.

Business Carbon Footprint (ODI-R)

The purpose of the business carbon footprint (BCF) reputational incentive is to ensure that GDNs take responsibility for their BCF and are transparent in what they are doing to reduce this. Our Environmental Action Plan (EAP) included targets for the reduction in BCF over RIIO-GD2.

Business Carbon Footprint		21/22	22/23	23/24	24/25	25/26
Non-Shrinkage BCF for Scope 1 and 2 ^a – tCO ₂ e	Actual	4,785	5,099	5,102	5,122	5,422
	Target*	4,943	4,527	4,011	3,688	3,612
Non-Shrinkage BCF for key Scope 3 – tCO ₂ e	Actual	15,200	15,233	17,355	16,705	16,607
	Target*	15,298	15,030	14,724	14,457	14,191
Scope 1, 2 ^a and key 3 BCF – tCO ₂ e	Actual	19,985	20,333	22,457	21,827	22,029
	Target*	20,241	19,557	18,735	18,145	17,803
Total Scope 1, 2 ^a and 3 BCF – tCO ₂ e	Actual	27,191	26,730	28,878	28,226	22,987
Scope 1 - Shrinkage tCO ₂ e	Actual	363,345	328,250	308,973	287,622	297,653 [#]

Table 27 – Business Carbon Footprint

* Business plan targets amended in May 2022 (Scope 3) and April 2023 (Scope 1) in agreement with Ofgem to bring emissions reporting in line with best practice methods.

[^] Market-based Scope 2 emissions methodology

[#] During May 2025 a third party damaged a Northern Gas Networks intermediate pressure gas main in north-east England resulting in involuntary gas loss to the atmosphere amounting to 20.19 GWh which is equivalent to 24,985 tCO₂e.

Our total greenhouse gas emissions increased by 3.2% between 2024/25 and 2025/26, primarily due to a significant gas loss incident caused by third-party damage to an NGN intermediate pressure gas main. Excluding the incident, emissions would have decreased by 4.7% compared to the previous year due to our gas leakage reduction programme of mains replacement, pressure management and gas conditioning with monoethylene glycol.

Our Scope 1 and 2 BCF (market-based excluding shrinkage) has remained similar with since returning to more typical working conditions in 2022/23 after the Covid-19 pandemic. Our RIIO-GD2 Environmental Action Plan contained a consciously ambitious target to reduce our Scope 1 and 2 BCF by 52% between our 2017/18 baseline (7,494 tCO₂e) and 2025/26. Over this period, we achieved a 28% reduction. The main influences on this performance are the constraints we have experienced with our vehicle fleet investment plans - most notably our requirements to increase our fleet by over 100 vehicles (+17%) to meet our operational needs and the limited availability of operationally suitable zero emission commercial vehicles as outlined in Section 6.4.2. This area remains challenging for NGN to reduce emissions. Reductions in emissions associated with business travel in cars have been achieved over the RIIO-GD2 period, with 2025/26 emissions being 11% less than 2021/22 and 33% less than 2017/18 baseline. This has been achieved by changing our company car policy to battery electric, plug-in hybrid and hybrid vehicles only and promoting the use of teleconferencing.

NGN continue to purchase only 100% certified renewable electricity for our premises, supplemented by on-site solar energy generation at eight of our offices and depots as detailed above. In 2025 we switched our gas supply contract for our premises to a certified biogas tariff which whilst not reflected in our BCF means we are supporting the low carbon gas production industry.

Emissions for identified key Scope 3 emissions sources remained stable compared to 2024/25 and variable over the period. Our RIIO-GD2 Environmental Action Plan contained a consciously ambitious target to reduce our key Scope 3 emissions by 19% between our 2017/18 baseline (17,479 tCO₂e) and 2025/26. Over this period, we achieved a 5%

reduction. Our performance is primarily reflective of our operational requirements to meet our mains replacement workload.

Full details and discussion of the BCF performance in year and over the RIIO-GD2 period will be reported in our 2025/26 Annual Environmental Report.

7 Re-openers

7.1 Introduction

It is not always possible to anticipate all future events as some are outside of a company's control. This limits the ability of companies to accurately forecast costs, workload as well as any associated outputs.

In these circumstances Ofgem can include re-openers to manage this uncertainty. Depending on their design they allow Ofgem to adjust a company's allowances (in some cases up and in some cases down), outputs and delivery dates in response to changing circumstances during the price control period.

7.2 HSE Fatigue

The purpose of this re-opener is to account for changes in Health and Safety Executive (HSE) policies that result in material changes to Totex costs during RIIO-GD2. Funding can move up or down in response to HSE policy changes that impact safety requirements.

The HSE has engaged with the GDNs to assess our fatigue management approaches to ensure they are appropriate and benchmarked against the good practice as outlined in Managing Shift Work: Health and Safety Guidance (HSG 256). This includes a systematic approach for assessing and managing the risks of work-related fatigue, covering the planning and monitoring of working hours, and an audit of working time arrangements.

The impact is expected to be £16.2m over RIIO-GD2 based on the analysis and modelling used to support our re-opener [submission](#) in September 2024. A material increase in resource will be needed to cover our 24-hour 365 days a year operation. We are already incurring additional cost of circa. £2m per annum to meet new HSE fatigue requirements, based upon additional resourcing recruited to date within Emergency Response. These costs are estimated to reach circa. £10m p.a. by the end of RIIO-2 across Totex. We are continuing to work on resource and associated shift pattern modelling, to establish the most efficient response to this challenge to mitigate cost increases whilst remaining compliant with best practice. In its Final Determination, Ofgem awarded NGN an allowance of £10.960 million.

7.3 Streetworks

The purpose of this re-opener is to allow GDNs to recover the efficient costs of complying with new permit and lane rental schemes, or new requirements introduced by public bodies after the RIIO-GD2 price control was set. These public bodies include agencies such as the Environment Agency, not just the highways authorities. Therefore, the scope of this re-opener includes the situation where the GDNs incur increased costs for disposing of excavated material from streetworks, if the Environment Agency withdraws Regulatory Position Statement 211.

When we submitted our business plan 7 out of 25 authorities in our network had introduced permit schemes, at a cost of c£2m per year. All 25 authorities have now introduced schemes which has increased our costs across the whole network. We manage the process, pay the permit fees, and the permits themselves impose conditions on how we are to manage streetworks and operate in the street, which often impacts productivity. Further to this 3 of the highway's authorities have signalled their intent to roll out lane rental schemes by the end of the RIIO-GD2 period which will further increase our costs. Importantly we did not include a forecast for this increase in our business plan submission and have looked to mitigate the impact where possible. Our re-opener [submission](#) was sent to Ofgem in September 2024 based on known additional permit schemes and local authority requirements and we estimated the additional cost to be £17.5m over RIIO-GD2. Ofgem's Final Determination awarded £12.04 million for traffic management, compared with the £17.5 million originally requested.

The existing arrangements which provide utilities with regulatory exemptions regarding the waste classification of excavation spoil will end in September 2025. Over a number of years Street Works UK has led an industry working group to develop an alternative way of working to ensure that utility excavation spoil waste can be practicably managed in accordance with waste legislation. We have participated in all three phases of field work (with the latest during summer 2024) to characterise excavation spoil waste and develop and test new methods of risk assessment. This work to develop a new spoil waste management protocol was completed and agreed with the Environment Agency during 2024/25 with full industry implementation set to commence in October 2025. Depending on progress and outcomes, this may be included in a future re-opener which would impact costs in RIIO-GD3.

7.4 Tier 1 Stubs

The purpose of this re-opener is to allow GDNs to recover efficient costs for decommissioning Tier 1 iron stubs. A Tier 1 stub is a short length of Tier 1 iron main attached to a larger diameter parent main which would previously have been decommissioned at the same time as the parent main. Under the Three Tier Repex approach introduced in RIIO-GD1 not all large diameter parent mains will be decommissioned, as they may not pass a cost-benefit assessment.

Ofgem provided allowances for the first two years of RIIO-GD2 as the HSE policy was under review at the time, and so the volume and timing of work was uncertain. It is now clear under HSE policy that many Tier 1 stubs still need replacing. We did not utilise the re-opener window in October 2023 and will complete our planned Tier 1 stubs workload in RIIO-GD2. There will be additional stubs to remove into mid RIIO-GD3.

7.5 Net Zero Pre-construction Work and Small Net Zero Projects Re-opener (NZASP)

[East Coast Hydrogen](#) (ECH) is a collaboration between Northern Gas Networks, Cadent and National Gas. It is a 15-year programme that will be carried out in multiple discrete phases. Further detail is provided in section 8.4.

FEED works are needed for the next phase of the East Coast Hydrogen Project. The full needs case, options and costs are being collaboratively drawn up with project partners to enable next phase of ECH. All three partners submitted separate re-opener applications. Following a clarification period, Ofgem published their positive-minded draft determination to fund the project in March 2025, simultaneously initiating a month-long consultation. After the consultation, Ofgem granted NGN the full requested amount for the project to proceed to the FEED stage as part of their final determination in June 2025.

8 Innovation and Futures

8.1 Introduction

NGN's innovation and futures strategy during RIIO-GD2 focuses on enabling a cost-effective transition to Net Zero while maintaining system reliability and supporting vulnerable consumers. This is achieved through three key funding mechanisms: the Strategic Innovation Fund (SIF), Network Innovation Allowance (NIA), and Net Zero and Re-opener Development Use It or Lose It (UIOLI) allowance.

NGN is committed to a whole systems approach to deliver sustainable energy solutions that will benefit our customers and contribute to meeting the UK's Net Zero emissions targets. A whole systems approach is one that facilitates strong collaboration and integration across utilities, operations, markets and supporting processes and is tested against a range of future scenarios.

8.2 The Strategic Innovation Fund

The SIF aims to find and fund ambitious, innovative projects with the potential to accelerate the transition to net zero. Ofgem have allocated £450 million to this fund over the period 2021 to 2026. The SIF is delivered in partnership with Innovate UK, part of UK Research and Innovation (UKRI) and is structured over three Project Phases (Discovery, Alpha and Beta Phase), with successful application and assessment against Eligibility Criteria as a condition of receiving SIF Funding for the relevant Project Phase. Projects delivered to date include:

Gas Network Evolution Simulator ([Discovery](#) & [Alpha](#) phase)

NGN delivered the Gas Network Evolution Simulator (GNES), which simulates the complex interactions between energy stakeholders. It analyses impacts on gas network decommissioning and explores new infrastructure opportunities. By identifying challenges and benefits, GNES supports the development of cost-effective, equitable solutions that support vulnerable populations, ensuring a smooth transition to low-carbon energy sources. In the Discovery phase GNES was used to model the impact for 50% of homes having heat pumps by 2040 that was stated by the Climate Committee in their Seventh Carbon Budget.

Specific areas and scenarios were identified to create case studies while testing the power of the GNES tool. So far, a Discovery and an Alpha phase have been conducted. The next step will be to further enhance the tool via NIA while conducting primary research to support and validate the agent's profiles that have already been created.

Knapton Hydrogen Storage for Hydrogen to Power ([Discovery](#) phase)

Hydrogen is vital for low-carbon power but cannot always be used as soon as it is produced. Storage is needed to bank hydrogen during periods of surplus and release it when demand peaks or renewable generation is low. We used the Knapton site to assess viable hydrogen storage options, given its existing grid and gas connections, land, water access, and a long energy history. It also sits within the East Coast Hydrogen corridor, linking future production in Teesside and the Humber with emerging regional demand.

The team assessed options including repurposing depleted gas fields and wells, reusing existing pipeline infrastructure, and exploring above-ground engineered storage and emerging technologies. The findings show a mixed portfolio is needed in the UK: smaller engineered systems enable flexibility and speed, while geological storage provides large-scale, long-duration capacity.

The study also highlighted the potential to repurpose existing gas assets, such as depleted reservoirs and wells, which already demonstrate safe gas storage and could be adapted for hydrogen with further engineering assessment.

The outcome is an evidence base and roadmap for next-stage design work, now progressing to the SIF Alpha stage following funding confirmation in June 2026. This will help position Knapton as a blueprint for transforming former energy sites into enablers of a flexible, low-carbon energy system.

Other large successes within the year have been the closing out of the large Beta projects such as Digital Platform for Leakage Analytics (DPLA), Intelligent Gas Grid and Predictive Safety Interventions.

8.3 Network Innovation Allowance

The NIA is utilised to fund innovation relating to supporting customers in vulnerable situations and/or facilitating the energy system transition. NGN has embedded a five-step process to decide on which projects to fund through the NIA. This approach helps to realise successful project outcomes for delivery.

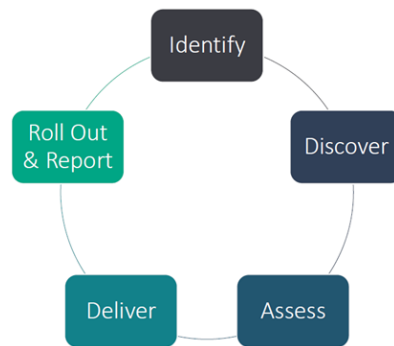


Figure 4 – NIA Funding Process

NIA-funded initiatives in 2025/26 include smarter gas pipe commissioning to reduce methane emissions, research into nuclear-enabled hydrogen production, and Project Helix—a world-first wearable CO detector. These projects aim to enhance safety, reduce emissions, and explore alternative energy sources. A summary of these projects is outlined below and further details of these and our other projects can be found in [NGN's RIIO-2 Year 4 Innovation Report](#).

Potential for biomethane to accelerate decarbonisation of HGVs (NIA_NGN_486)

Through the Green Gas Task Force, NGN worked with the Low Carbon Truck Consultancy on a [research project](#) to explore biomethane as a more immediate solution. We brought together real-world data, operator insight and market analysis to understand whether biomethane could help cut emissions from the heaviest trucks.

The research found that biomethane is already being used across parts of the haulage sector, with vehicles, fuelling stations and supply chains in place. Biomethane works well for

long-distance routes, requires minimal changes to operations and can be scaled up quickly using existing infrastructure.

This research paper is now being used to inform discussions with government and industry, helping to build the case for policy support and wider adoption of biomethane in HGVs. Biomethane cuts emissions now while technologies and infrastructure continue to develop. By setting out a clear, evidence-based pathway, our project highlights how biomethane can accelerate decarbonisation in a sector where it's urgently needed.

Net Zero Energy Planning Tool (NIA_NGN_471)

[Navigator](#) is a new planning tool developed by NGN and SGN to help make better decisions about how we reach net zero. It was created to tackle a growing challenge: turning national climate targets into practical, local action.

As the energy system becomes more complex, with gas, electricity, and heating all connected, Navigator brings everything together in one place, allowing planners to look at the whole system instead of separate parts.

Over the past year, Navigator has moved from an idea into a tool that is now being tested and used to make real decisions. It combines data on energy demand, network capacity, costs, emissions, and social factors like fuel poverty, and allows us to test different scenarios, compare options, and understand trade-offs. It shows how local factors, like infrastructure limits or community readiness, can affect which solutions will work best and when and helps identify where certain changes could put extra pressure on communities.

A key focus is to make Navigator as useful as possible for local authorities and regional planners. The project has been shaped in close collaboration with councils, energy networks and experts to ensure the tool reflects real challenges our stakeholders face, producing clear, practical insights for them to base decisions on.

Transforming gas pipe commissioning to cut emissions (NIA_NGN_476)

Back in 2019, NGN partnered with ROSEN to explore how to reduce our emissions and identified the commissioning of gas mains as one of our highest-emitting activities due to the need to purge gas through new pipework before reconnection for safety reasons.

It highlighted that by revising the purging calculation tables used by gas engineers, we could significantly [reduce emissions during pipeline decommissioning](#). We worked with ROSEN to refine the calculations and developed updated tables with shorter purging times, which if implemented across our network could reduce methane emissions by 87,000 tonnes annually, all without any operational disruption or additional costs.

Over the past year, we have undertaken the next phase of the project, delivering 10 live field trials across different pipe diameters on the low-pressure network to test and validate the new calculations. The trials proved successful and enabled us to calculate that by adopting the updated, shorter purging times, our gas emissions during commissioning could be reduced by 50%.

Over the next 12 months, we will continue to test the new purging calculations on a wider range of pipe diameters, and work with other gas distribution networks to share our findings and conduct further testing.

Bridging the communication gap for digitally excluded customers (NIA_NGN_492)

[Digital exclusion](#) affects around 20% of the population, creating a significant challenge for energy networks seeking to communicate effectively with these customers, particularly during gas emergencies or planned works.

Many individuals may lack access to digital devices, have limited digital skills or simply choose not to engage with digital platforms. As a result, traditional communication channels are not always effective in reaching those most in need.

To address this, we launched an innovative project to better understand digital exclusion and develop new ways of communicating with these customer groups. Working in partnership with Cadent, National Grid and specialist organisations, Thunk and Good Things Foundation, the project focused on engaging directly with digitally excluded communities to understand how they receive information and identify the ways to best communicate with them.

Through extensive research and face-to-face engagement, we gathered insights from people with limited or no access to digital technology, people who do not speak English as a first language, and migrant communities. The work highlighted the complexity of digital exclusion and confirmed that no single solution would meet all needs.

Using these insights, the project team co-created a range of potential solutions designed to improve communication with digitally excluded customers.

Domestic heating, reimagined for the future

Led by NGN, the [Futures Close Heat Programme](#) is a flagship initiative aimed at identifying cost-effective, low-carbon heating solutions for UK homes. Based at NGNs purpose-built test site in Low Thornley, Gateshead, the project replicates nine common housing types - representing 40% of English homes—to evaluate optimal combinations of heating systems, controls, and fabric upgrades.

Collaborating with Wales and West Utilities and supported by leading manufacturers and academic partners, including Leeds Beckett University, the programme is generating real-world data to inform national heating strategies. Running until August 2027, it is a critical step in addressing the UK's domestic heat decarbonisation challenge and shaping scalable, sustainable solutions for the future.

8.4 Futures

Overview of NGN Futures projects

In 2025/26, NGN strategically allocated its UIOLI allowance to projects focused on defining the role of gas in achieving the UK's Net Zero targets. This included the development of a comprehensive energy futures strategy and roadmap, designed to assess whole-system impacts and guide effective deployment of resources. The LENS project reviewed both the GD2 UIOLI portfolio and 10 NIA projects, this was used to analyse the performance of each project to create a framework for GD3 projects. The framework will assess projects on their Delivery, Experience and Impact. On top of the framework a pipeline of projects has been produced with the support of various subject matter experts from within the business.



Figure 5 – NGN RIIO-GD2 Whole Systems Strategy

The strategy identified a range of potential actions, prioritising “low regrets” measures—those beneficial across multiple future scenarios. As NGN prepares for RIIO-GD3, this approach will evolve to reflect emerging priorities and ensure alignment with long-term decarbonisation goals.

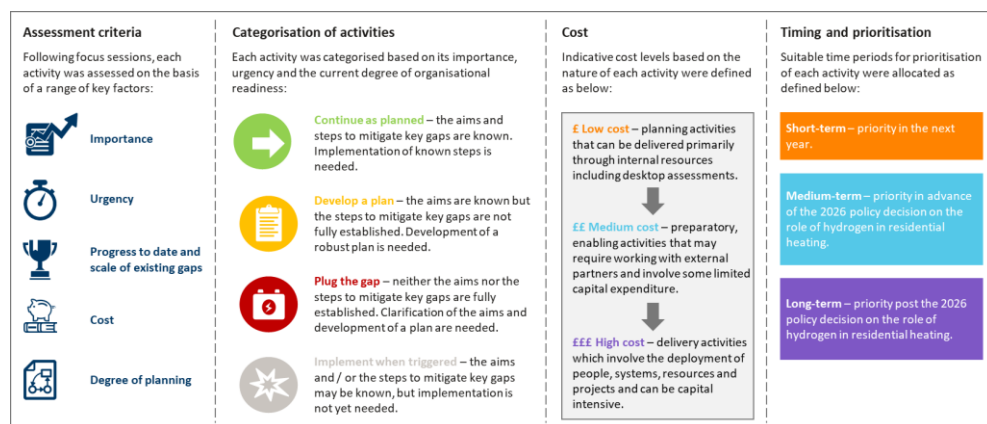


Figure 6 – NGN RIIO-GD2 Whole Systems Roadmap

Key highlights from some of the projects we have progressed in 2025/26 are outlined throughout this section.

East Coast Hydrogen

[East Coast Hydrogen \(ECH\)](#) is a 15-year strategic infrastructure programme led by NGN, Cadent, and National Gas, aiming to establish a hydrogen network across northern England. By connecting hydrogen producers, users, and storage facilities through a mix of new and repurposed pipelines. ECH will support industrial decarbonisation while creating significant economic and employment opportunities.

During RIIO-GD2, NGN completed the Pre-FEED study, confirming hydrogen’s viability and market potential. In March 2024, NGN applied for additional funding under the NZASP mechanism to progress to the Front-End Engineering Design (FEED) phase. Further investment from NGN’s UIOLI allowance supported preparatory work and regulatory engagement to advance the project toward delivery. This included responses to clarifications sent by Ofgem in the third and fourth quarters of 2024, along with the submission of a proposed list of deliverables in Q1 2025. As a result, a draft determination was published on March 28, 2025, indicating support for funding the scheme and initiating a month-long consultation. Ofgem made their final decision on June 20, 2025, approving full

funding for the scheme and allowing the project to move forward to the FEED phase.

The East Coast Hydrogen FEED study has made strong progress since June 2025, moving from early optioneering into detailed route development, environmental assessment and stakeholder engagement. Within the NGN region, two proposed hydrogen pipeline corridors have been developed across the Humber and Teesside, supported by early environmental and community considerations, engagement with statutory bodies and local stakeholders,

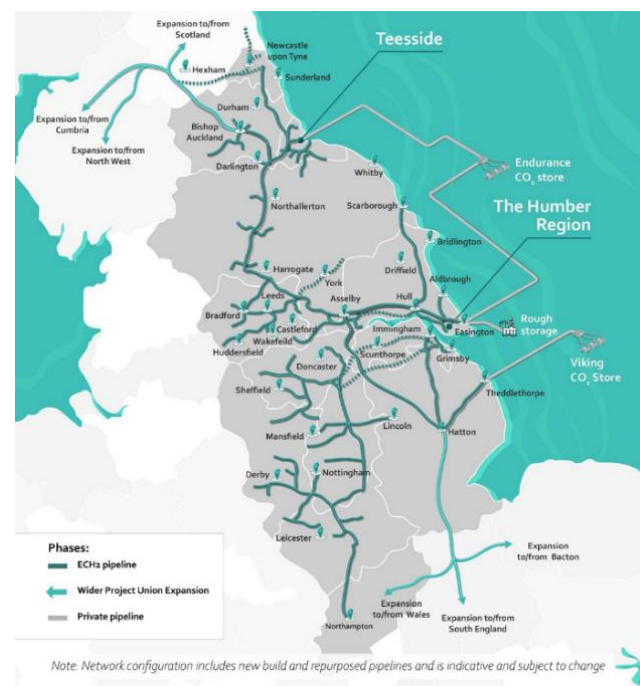


Figure 7 – East Coast Hydrogen Proposed Routing

and the submission of Environmental Impact Assessment Scoping Reports to the Planning Inspectorate. The project has also demonstrated growing industry demand through letters of intent from key off takers, while early economic assessment suggests it could deliver £1.2bn of value and support up to 1,200 jobs, helping to decarbonise major industrial clusters and safeguard regional employment. Over the next year, the focus will be on progressing the design of the network further to ensure the FEED delivers, by completion in September 2027, a technically robust, commercially feasible and supported hydrogen network, underpinned by clear demand from off takers, producers and storage providers.

Hydrogen Blending Implementation

Programme – Phase 2B

Phase 2B of the Hydrogen Blending Implementation Programme is a nine-month collaboratively NIA funded initiative led by SGN, NGN, WWU, Cadent, and National Gas, with project management from KPMG. Launched in February 2026, the project aims to undertake the detailed design and governance impacts of the agreed market framework solution to implement gas network hydrogen blending into the UK gas network.

Key deliverables include: development of an end-to-end process for the administration of the blending application window process; development of consistent commercial principles for hydrogen blending connections across all networks, including the principle that connections will not be protected from future upstream connection; development of required changes to network charging frameworks to ensure compatibility for blending connections; and development of forecasting and communications approach needed to support hydrogen blending inc. downstream visibility of H2 content and CV, and distributed energy forecasting to improve OPN and demand forecasting.

Green Gas Taskforce

The Green Gas Taskforce is a collaboration between ten of GB's largest Biomethane generators, shippers and traders, all five British gas networks and four important industry organisations. The group was set up in October 2024 and since then has gained real momentum in the green gas industry. The Taskforce will produce a series of key reports and analysis outlining the scope for growth of biomethane and the significant contribution it can deliver to the decarbonisation and energy security of the UK. NGN are currently leading an NIA-funded report for biomethane in HGVs. This research paper will help to influence policy decisions in the transport sector. The Taskforce sees the gas network crucial to Great

Britain's future in energy. A recent feedstock study shows that between 50 and 90 percent of the network could be run on biomethane by 2050, producing up 120TWh. Off the back of the feedstock capacity study, NGN will be targeting increasing the volume of biomethane injected onto our network from 0.71 TWh currently to 1.4TWh by April 2031.