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Sent via email: Allan.Rankine@ofgem.gov.uk
7th December 2022

Dear Allan,

Thank you for the opportunity to respond to the statutory consultation on modifications to the Gas Transporters' RIIO 2 Net Zero Pre-construction Work and Small Net Zero Projects Re-opener (NZASP) licence conditions. Having reviewed the documentation, SGN are pleased to inform Ofgem that we welcome the proposed modifications in principle, with the following suggestions.

We agree with the broad approach in the NZASP governance. However, we suggest that the inclusion of formal guidance on reporting obligations pertaining to project progress would ensure sustained alignment with NIC given the proposed increases in maximum funding levels.

We agree with the dual funding methods being available through either the NZPt term or socialisation through pass-through charges, with the assessment undertaken on a case-by-case basis. For projects which meet the criteria for both infrastructure and innovation, we believe a degree of flexibility on the method for socialising funding is required and the principles should be set out in the guidance.

We believe that outstanding issues remain regarding indexation, RPEs, capitalisation rates and the management of risk, and guidance around such issues should be considered as NZASP projects develop and increase in scale and timelines for delivery are extended.

We welcome the opportunity to provide this response and continued engagement.

If there are any further questions, please do let me know.

Best regards,

David Handley
Director of Strategy and Regulation, SGN